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Toyota's secretive culture led auto maker astray

IN DEPTH 14-15

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EDITORIAL & OPINION 13

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DOWJONES A NEWS CORPORATION COMPANY

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China prepares for the Year of the Tiger

Agence France-Presse

A worker installs lanterns in Shanghai on Wednesday for the Lunar New Year. The three-day holiday, which starts Sunday, fell in January last year, reducing that month's working days and affecting last month's year-to-year trade data. **Page 3.**

China indicts 4 executives of Rio Tinto

By James T. Areddy

SHANGHAI—China formally indicted four executives of Australian mining group **Rio Tinto** PLC on charges of corruption and obtaining commercial secrets, a case that has come to symbolize growing dismay in foreign boardrooms over Beijing's tactics as it quickly gathers global power.

The state-run Xinhua news agency on Wednesday reported that Shanghai prosecutors handed up the indictments against Australian national Stern Hu and three Chinese colleagues, who now face a court trial.

The report cited a prosecutor statement alleging the mineral salesmen requested and accepted "huge" bribes on multiple occasions from numerous Chinese steel enterprises. The statement also said they used "improper" means to obtain commercial secrets that caused "serious consequences" for the companies.

Much of the international unease over the case comes because China hasn't yet published specific details of the case against the four, who were detained in July and formally arrested in August.

A police investigation ended last month and the case was handed over to Shanghai prosecutors. Xinhua said the case has been accepted by the Shanghai No. 1 Intermediate People's Court, but didn't provide a timeline for trials.

Lawyers for the three Chinese nationals—Wang Yong, Liu Caikui and Ge Minqiang—said they hadn't been officially informed of the indictments. Mr. Hu's lawyer hasn't been identified.

Australia's Department of Foreign Affairs and Trade couldn't comment on the Xinhua report, a spokeswoman in Canberra said. Rio Tinto, which has in the past denied wrongdoing by the company or its employees, declined to comment.

The indictments, while not a surprise, add to the political challenge facing the administration of Australian Prime Minister Kevin Rudd, which has been attempting a delicate balancing act between addressing domestic anger over the opacity of the Chinese action toward an Austra-

Please turn to page 16

Food costs push up Asia inflation

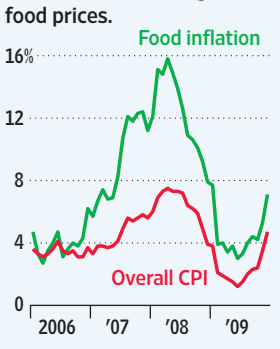
By Alex Frangos

HONG KONG—The rising cost of food is driving Asian inflation rates higher, increasing the stakes for a successful harvest this year in a region still bruised by the 2008 food crisis.

Prices for rice, sugar, milk, and in some places, fruits, vegetables and cooking oils, have risen in recent months, putting pressure on overall consumer prices. The region's most important economies, including India, China, Thailand and Indonesia, are all grappling with how to handle rising prices without snuffing out their economic rebounds. Food-price increases are leading to higher inflation rates across much of Asia, though energy costs and tighter labor markets are also putting pressure on prices.

Setting the table

Asia remains at risk of another inflation surge from food prices.



Note: Data shows Asia, excluding Japan, CPI and food inflation

Source: Morgan Stanley, CEIC

Asia was hit hard in 2007 and 2008 when shortages of foodstuffs, especially rice, led to hoarding and riots. Armed guards were dispatched to protect rice warehouses in Thailand and the Philippines; Indonesia deployed border agents to prevent smuggling.

Some analysts warn that the structural issues that caused the 2008 food emergency—too much demand and not enough food—are still in place.

For now, prices aren't near levels that would create major dislocations. For example, in Bangkok, rice is trading at $592 a ton, according to the Thai Rice Exporters Association, after rising 10% from September through December to $618 a ton.

But prices are climbing and businesses hit by rising food costs in 2008 are again feeling the heat. Macquarie Group analysts recently downgraded Hong Kong fast-food company **Café de Coral**, citing higher food prices. Many of Café de Coral's dishes are a combination of meat and rice.

A company spokesman said in an email that food prices are a challenge.

"We are not able to raise prices across the board and we have to absorb a substantial portion of the increases," the Café de Coral spokesman said. "We will need to change the menus periodically to accommodate some of these increases."

India is particularly vulnerable, after suffering a dry monsoon in 2009 that led to double-digit food inflation as rice and sugar crops failed.

In the Philippines, too much rain ruined crops last year and forced the state to purchase almost two million

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PAGE TWO

What's News—

* * *
Business & Finance

■ **Vietnam's central bank** will devalue the dong by 3.4% effective Thursday, its second devaluation in three months. It also imposed a 1% ceiling on interest rates on dollar deposits at banks by "economic institutions," not including credit institutions. **26**

■ **Bernanke outlined** the likely path the U.S. Fed will take to tighten credit once the economy has recovered enough, pointing to the rate paid to banks on excess reserves as a key tool. **5**

■ **China's exports in January** rose 21% from a year earlier, as imports jumped 85.5%. The pace of imports appeared to slow from recent months but price swings made the trend hard to discern. **3**

■ **The U.S. trade deficit widened** to its highest level in a year in December on the back of higher oil prices. **3**

■ **Taiwan said it will lower** investment barriers for its flat-panel and electronic chip makers to do business in China. **17**

■ **U.S. stocks fell** as Bernanke raised the possibility the Fed could adjust policy "before long." In Asia, shipping stocks led markets higher. **27**

■ **Baidu's quarterly earnings** rose 48% to top Wall Street expectations, and the company provided a positive outlook. **17**

■ **Bocom International**, an offshore arm of state-owned Bank of Communications, plans to raise between $250 million and $500 million for its first China-focused private-equity fund. **24**

■ **Singapore's Temasek** set up an investment company as part of its effort to partner more with outside investors. **24**

■ **Micron's $1.27 billion** Numonyx deal may create a threat in the flash-chip market to industry leader Samsung. **19**

Associated Press

French President Nicolas Sarkozy, left, and Greek Prime Minister George Papandreou, right, appear Wednesday after their working lunch at the Elysee palace in Paris, where they discussed Greece's economic crisis. **Page 10.**

■ **Clive Palmer said** the terms of Resourcehouse's coal-supply deal with China Power were binding, although some details have yet to be finalized. **19**

■ **ArcelorMittal and BHP** reported profits, with steel demand helping to push up prices. **18**

■ **Google plans an experiment** to deliver ultra-fast Internet access that will target several cities and as many as 500,000 people. **22**

■ **Honda will recall an** additional 378,000 vehicles to fix potentially faulty airbag systems linked to at least one known fatality and 11 injuries in the U.S. **WSJ.com**

■ **Japanese brewer Kirin** appointed a new president and posted a 39% drop in profit, days after dropping a planned merger with rival Suntory. **20**

* * *
World-Wide

■ **Mumbai police detained** more than 1,000 people in the hopes of heading off a potentially violent protest of a film set to hit theaters Friday. **6**

■ **Iranian authorities conducted** security sweeps and warned Tehran residents to refrain from joining protests planned for Thursday.

■ **China's State Council found** 71 people responsible for the fireworks-fueled blaze that engulfed a building in the headquarters of broadcaster CCTV last year. **3**

■ **Sri Lankan government** supporters clashed with thousands of opposition activists in a protest over the arrest of defeated presidential candidate Sarath Fonseka.

■ **The death toll rose to 157** from a series of avalanches that buried a key road linking Afghanistan's capital to the country's northern hinterland. Soldiers and police continued to dig out victims.

■ **Afghan opium cultivation** is unlikely to rise or fall sharply in 2010, after a big drop over the past two years, a U.N. report said.

■ **A senior Pakistani official** said there was credible information that the head of the Pakistan Taliban died of wounds inflicted by a U.S. missile strike last month. **4**

ONLINE TODAY

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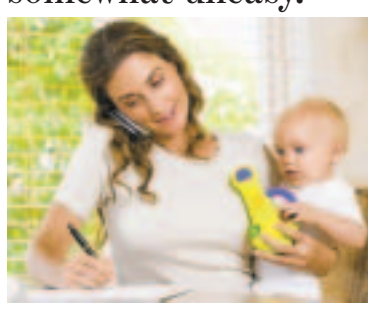
Between nannies and their employers, there's a blend of a business relationship and a familial one—a blend that's often somewhat uneasy.



Inside

Capital: The problem with U.S. banks a year after the rescue. **5**

Wealth: Shanghai Watch Co. targets the luxury market. **9**

Business & Finance: Game makers push beyond holidays. **16**

Heard on the Street: Japan's economy runs on one engine. **32**

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WORLD NEWS

China's exports grew in January

Commodities purchases appear to slow, but analysts caution of Lunar New Year's pull on the data

By Andrew Batson And Terence Poon

BEIJING—China's purchases of commodities and other goods from abroad appeared to slow in January from the high rates of recent months, according to new figures, though price swings and holidays made the trend unusually difficult to discern.

Headline growth rates, which have picked up amid the past few months' recovery in global trade, remained high: China's Customs agency on Wednesday said January's merchandise exports were up 21% from a year earlier, while imports jumped 85.5% for a third straight month of growth.

But January 2010 had several more working days than January 2009, which was shortened by China's Lunar New Year holiday. The weeklong holiday this year starts Saturday.

Import growth is also inflated because this year's commodity prices are much higher than those paid during the depths of the financial crisis. As a result, "year-on-year comparisons are almost meaningless," said Bank of America-Merrill Lynch economist Ting Lu.

Other indicators hinted at some easing of the recent rapid momentum of resource consumption in China, the world's second-largest oil user and a major market for most metals. In volume terms, China's purchases of major commodities were down in January compared with December, though they remain well above year-earlier levels.

Shipments of crude oil, for instance, were down 20% from December's high for a single month. Iron-ore imports in January totaled 46.62 million metric tons, down 25% from December, while copper imports dropped 21% to 292,096 metric tons.

Overall, merchandise imports were down 0.9% from the previous month in seasonally adjusted terms, Customs said, and the dollar value was also smaller at $95.31 billion in January against $112.29 billion in December. The figures could be showing some effects from the government's months-long effort to rein in rapid bank lending—though they could also reflect lower activity ahead of a big holiday.

In any case, the surge in imports over the past several months is likely to taper off as commodity prices stabilize and economic growth moderates, said Xu Jian, an analyst at China International Capital Corp.

"The economy can't always be growing by 10%," he said. Slowing imports are likely to widen China's trade surplus, Mr. Xu said, after the gap narrowed to $14.17 billion in January from $18.44 billion in December.

Some industry executives remain bullish. Marius Kloppers, chief executive of mining giant **BHP Billiton**, said Wednesday that China's iron-ore imports had been surprisingly strong over the past six months but argued that current market prices indicate demand is still high.

And China's exports are likely to continue picking up this year in line with the global economy, although January's exports are probably not as strong as the headline growth rate of 21% would indicate. Customs said January's exports were down 5.5% from December on a seasonally adjusted basis.

Citigroup economist Minggao Shen thinks export growth is still likely to surpass 20% for the first half of the year. But he and some other economists worry that growth is likely to slow later in the year as the effect of stimulus policies on advanced economies fades and businesses slow their buildup of inventories.

—Alex Wilson and Liu Li contributed to this article.

U.S. trade gap hits highest level in a year

By Tom Barkley And Jeff Bater

The U.S. trade deficit widened to its highest level in a year in December on the back of higher oil prices, the Commerce Department said Wednesday.

The U.S. deficit in international trade of goods and services increased 10.4% to $40.18 billion from a revised $36.39 billion the month before. The November trade gap was originally reported as $36.4 billion.

The December deficit was bigger than Wall Street expectations for a $36.8 billion shortfall.

U.S. exports grew 3.3% to $142.7 billion from $138.09 billion the previous month, the biggest jump since March 2007. Imports increased by even more, however, up 4.8% to $182.88 billion from $174.48 billion in November.

For 2009, the U.S. trade deficit narrowed to $380.66 billion, down sharply from $695.94 billion the year before.

With the U.S. economy on the rebound, exports have been on the rise. However, the rising energy imports have helped push up the overall trade deficit, with both crude imports and oil prices reaching levels not seen since October 2008.

Trade, which provided some support to the economy during the recession, helped contribute to the stronger-than-expected expansion in the fourth quarter. Net exports added 0.5 of a percentage point to gross domestic product in the final three months of 2009, when the economy grew 5.7%.

The real, or inflation-adjusted deficit, which economists use to measure the impact of trade on GDP, rose to $43.73 billion from $40.85 billion in December, Commerce said Wednesday.

"Both exports and imports hit bottom and have begun strong recoveries in the past eight months, suggesting that the disruptions from the global economic recession and credit market turmoil have greatly eased," said Steven Wood, chief economist at Insight Economics.

Still, he said the data should contribute negatively to revised fourth-quarter GDP, though that should be partly offset by inventory investment.

The U.S. bill for crude oil imports in December rose to $20.28 billion from $17.81 billion the month before, with the average price per barrel climbing 66 cents to $73.20. Crude import volumes rose to 277.07 million barrels from 245.45 million.

The U.S. paid $25.55 billion for all types of energy-related imports, up from $22.97 billion in November.

Imports of industrial supplies increased $4.38 billion in December, driven by crude oil and other petroleum products. Auto and related-parts imports increased $1.61 billion, purchases of foreign-made capital goods rose $1.57 billion, while food and feed imports were up $315 million.

Imports of foreign-made consumer goods held steady from the month before.

Among exports, U.S. sales abroad of capital goods rose by $1.77 billion. Exports of industrial supplies, such as fuel oil, increased $1.64 billion. Auto exports increased $888 million, while sales of consumer goods, including diamonds and toys, were up $280 million.

Meanwhile, exports of food, feed, and beverages went down by $35 million.

The U.S. trade deficit with China shrank in December to $18.14 billion from $20.22 billion the month before. Exports jumped by 14.2% to a record $8.36 billion. The deficit with Japan narrowed, as well, to $4.61 billion from $5.43 billion.

But U.S. trade deficits with other major trading partners continued to expand.

The trade gap with the euro area increased to $5.45 billion from $4.96 billion. The deficit with Canada nearly doubled to $3 billion from $1.52 billion, while the gap with Mexico edged up to $5.23 billion from $5.14 billion.

China finds 71 liable for fire at CCTV headquarters

By Sky Canaves

BEIJING—Seventy-one people have been found responsible for the fireworks-fueled blaze that engulfed a building in the new headquarters of state broadcaster **China Central Television** last year, the official Xinhua news agency reported Wednesday.

Xinhua's report, posted on the Web site of the State Council, represents the first public release of the results of a lengthy investigation of the fire the State Council ordered in April 2009. The final report was expected to be submitted to the State Council this week, though only certain highlights will be made public.

The State Council report appears to place some of the blame at the top levels of CCTV management. It said Zhao Huayong, former head of the broadcaster who stepped down in May, which Xinhua reported was because he had passed the retirement age of 60, would receive an administrative demotion and a "severe warning" from the Communist Party. The State Council also ordered CCTV to pay a fine of three million yuan ($438,820).

In limited public statements made in the days after the Feb. 9, 2009, blaze, CCTV sought to distance itself from the accident, portraying it as the result of an unauthorized fireworks display organized by a few executives.

The report said that in addition to the fireworks, substandard insulation materials also contributed to the fire.

The report said that in addition to the fireworks, substandard insulation materials contributed to the fire in February 2009.

Forty-four people face criminal charges for their involvement in the fire, while 27 others will receive administrative penalties, Xinhua reported. Xu Wei, former deputy chief engineer for CCTV and head of construction for the new headquarters, is the highest-ranking CCTV official to have been arrested in connection with the fire. He was arrested in March on suspicion of "causing an accident with dangerous articles" and could face up to seven years in prison.

The report said the fire caused economic losses of 164 million yuan, a relatively small amount compared with the five-billion-yuan total cost of the CCTV complex. The fire largely gutted the Television Cultural Center building that was to house a cultural center and a luxury Mandarin Oriental hotel. The better-known, twisted-square-doughnut-shaped CCTV tower wasn't damaged. One firefighter died and eight others were injured in the blaze.

The fire-ravaged, rusting tower has stood largely untouched for the past year, although officials involved in the State Council investigation and one of the project's lead architects have said the building didn't suffer structural damage and can be repaired.

China Photos/Getty Images

Firefighters battle the CCTV blaze.

Massimo Berruti for The Wall Street Journal

Afghan participants in a recent commanders' course—including 16 Soviet-era veterans and three ex-mujahedeen—listen to a graduation speech. after studying with American and French instructors.

U.S. enlists Afghan army's ex-foes

Due to dearth of professional officers, Soviet-era brass take command again as former battlefield rivals team up

By Yaroslav Trofimov

KABUL—The fledgling Afghan National Army has been created from scratch by the U.S. and its allies. But, at least in its senior ranks, it increasingly resembles an Afghan army of old—one the U.S. helped rout two decades ago.

The Afghan government is dominated by former mujahedeen guerrillas; both the minister of defense and the army chief of staff are former anti-Soviet insurgents. Most ANA generals and colonels appointed to serve just below them, however, are veterans of the Soviet-built Afghan military that hunted these insurgents through the 1980s.

Facing a dearth of professional officers, the U.S.-led coalition is bringing these former foes in from the cold, restoring their Soviet-era rank and giving them command positions. American officers say few other Afghans have the formal military training and know-how to run conventional divisions and brigades.

Numbering just over 100,000 soldiers, the ANA is slated to grow to 172,000 by the autumn of 2011. Turning it into a serious fighting force is a priority for the Obama administration—offering the only exit strategy for the U.S.-led coalition as Western public opinion sours on the Afghan war.

In this mission, grooming senior ANA commanders is just as important as bulking up the ranks with recruits.

"If you don't develop leaders, this military cannot succeed," says U.S. Lt. Gen. William Caldwell IV, the commander of the coalition's program to build up Afghan security forces.

Soviet-era veterans—many of them exiled or unemployed during the tumult of recent years—offer a ready reservoir of such leaders.

"Former army officers are very experienced, and the more we expand our army, the more we need them," says Brig. Gen. Ali Ahmad Popal, commander of the Kabul Military Training Center, a sprawling facility that churns out thousands of new ANA soldiers every month.

The deputy corps commander of Kandahar in Communist times, Gen. Popal himself lived in exile in India until joining the ANA in 2008.

"The only difference between the old army and the new army is that before we had conscription, and now it's all-volunteer," he says. "We fight the enemies of our country and anyone who attacks our soil."

President Hamid Karzai said this week he is considering a reintroduction of the draft in Afghanistan.

This reliance on Soviet-era officers was evident at a recent graduation ceremony from a senior ANA command course. Nineteen colonels and brigadiers in their 50s and 60s graduated after several months of study with American and French instructors. Among them, 16 had fought in the Communist Afghan army, and only three hailed from mujahedeen backgrounds.

These Afghan Army veterans—most of whom were educated in Russia—often espouse a top-down, bureaucratic approach that can clash with the American military culture, which gives more leeway to individual commanders and puts more authority in the hands of noncommissioned officers.

Yet coalition officers say they have come to appreciate that some of these Soviet-style methods suit a force like the ANA, which is three-quarters illiterate.

"There are times when they'll bring up an idea, and we'll say, 'yes, it works,' " says Canadian Brig. Gen. Paul Wynnyk, who supervises the U.S.-led international coalition's effort to develop Afghanistan's army. "Some of what the Russians did here was pretty good."

American and allied officials speak with particular respect about two Soviet-era veterans with whom they deal daily while running the war against the Taliban insurgency.

One is the first deputy minister of defense, Lt. Gen. Mohammad Akram, who headed the Communist army's southern regional command in the early 1990s. The other is the ANA's operations chief, Lt. Gen. Sher Karimi—a career officer who was educated at the Sandhurst military academy in England in the 1960s and speaks fluent English.

Like many other army veterans brought back into service, Gens. Karimi and Akram hail from ethnic-Pashtun southern and eastern Afghanistan, the heartland of the Taliban insurgency.

Their presence in the senior ranks may defuse the perception among many Pashtuns that the ANA is dominated by the rival ethnic group, the Tajiks, whose militias overthrew the Taliban with American help in 2001, and who are still overrepresented among the officer corps.

The ANA's chief of staff, Gen. Bismullah Khan Mohammadi, is one of these Tajik commanders. A former aide to the late mujahedeen leader Ahmad Shah Masood, the bearded Gen. Mohammadi said recently "We've opened a new page in our history. Whoever comes in and aims to serve our country is our brother now."

Pakistan believes leader of Taliban is dead

By Zahid Hussain

ISLAMABAD—A senior Pakistani official said Wednesday there was credible information that Hakimullah Mehsud, head of the Pakistan Taliban, died of wounds inflicted by a U.S. missile strike last month in the first official statement about the fate of the militant leader. Still, the statement stopped short of being sure.

"I have credible information that he's dead, but I don't have any confirmation," Rehman Malik, the federal interior minister, told reporters in Islamabad as speculation intensified about whether Mr. Mehsud, 30 years old, had in fact died.

He was seriously wounded when missiles fired by a U.S. pilotless drone struck his hideout in the area between South and North Waziristan in January near the Afghan border.

A Pakistani intelligence official said Mr. Mehsud was hit in the legs and abdomen.

Last week, Pakistani television for the first time reported his death and that he was buried in the Orakzai tribal region. But a Talban spokesman denied the report.

A senior Pakistani army official said there was some credence to the report about Mr. Mehsud's death, but he added that the absence of any ground intelligence from the area has made it more difficult to gather information.

U.S. officials couldn't confirm that Mr. Mehsud is dead. "The onus is really on the Pakistani Taliban at this point to produce this guy," said a U.S. counterterrorism official. "Hakimullah certainly hasn't shied away from the terrorist limelight before, so why would he do so now when there's so much speculation about his demise?"

Mr. Malik said that security agencies were also investigating reports that Qari Hussain, a Mehsud deputy, had been killed, too.

Mr. Hussain was in charge of training suicide bombers and had close ties to other militant networks.

More than 30,000 troops backed by air force jets have been engaged in fighting in the region along the Afghan border which Pakistani and Western intelligence officials believe have become the main hub of Taliban and al Qaeda activities.

Also Wednesday, a suicide bomber struck a police patrol in the Khyber tribal region, killing at least 10 policemen, a local government official said. All the victims were in the vehicle which was hit. Another 15 civilians were injured in the attack.

—Siobhan Gorman in Washington contributed to this article.

WORLD NEWS

U.S. Fed chief outlines exit strategy

Bernanke says increasing rate paid to banks on excess deposits could be key tool when time comes to tighten credit

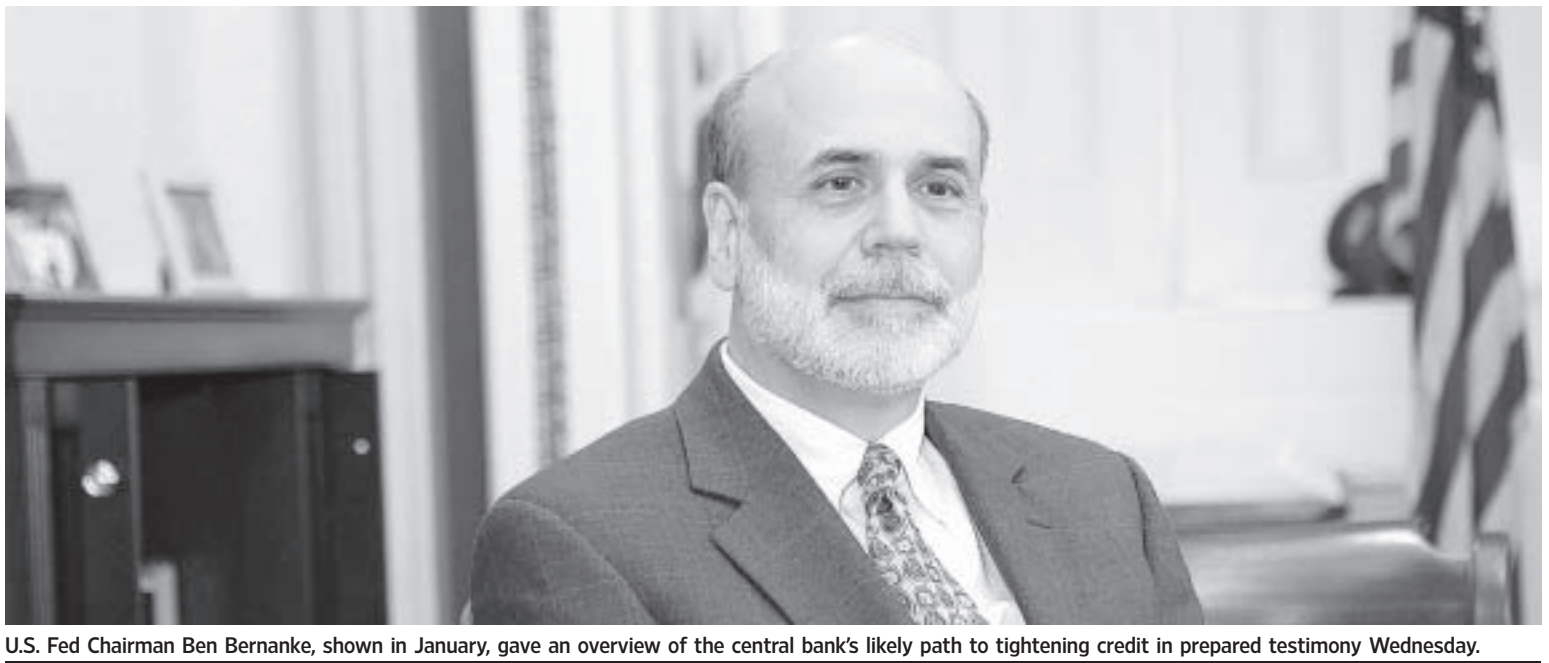
By Luca Di Leo

Federal Reserve Chairman Ben Bernanke on Wednesday outlined the likely path the central bank would take to tighten credit once the economy has recovered enough.

In prepared testimony for the House Financial Services Committee, the Fed chief said the interest rate paid to banks on excess reserves held at the central bank may for a time replace the federal-funds rate as the main operating target for policy. The Fed chairman made his comments Wednesday in written testimony that was released, though the hearing was postponed due to a blizzard in Washington.

As part of the Fed's plans to wind down its emergency liquidity measures, Mr. Bernanke also said the central bank could "before long" increase the spread, or difference, between the discount rate that it charges banks for emergency loans and the federal-funds rate. The spread is now a quarter percentage point, down from a full point before the financial crisis.

To combat the worst financial crisis in decades, the Fed slashed short-term rates to near zero in December 2008 and implemented an array of emergency lending and asset-purchase programs to keep long-term rates down.



Associated Press

U.S. Fed Chairman Ben Bernanke, shown in January, gave an overview of the central bank's likely path to tightening credit in prepared testimony Wednesday.

Mr. Bernanke's testimony was designed to outline the Fed's strategy for withdrawing the extraordinary support for the economy. He said the sequencing and tools the Fed would use to tighten policy would depend on how the economic recovery develops. The economy still needs highly accommodative policy for now, but the central bank will "at some point" have to increase short-term rates and cut excess bank reserves, he said.

A focus on the interest rate on excess reserves would present markets with a new signal to follow when the Fed begins tightening credit. "It is possible that the Federal Reserve could for a time use the interest rate paid on reserves, in combination with targets for reserve quantities, as a guide to its policy stance," Mr. Bernanke said, adding no final decision had been made.

The Fed currently pays banks a 0.25% rate for the more than $1.1 trillion they hold at the Fed.

Raising the rate would give banks an incentive to park more funds at the Fed instead of lending them out to companies or households. In this way, the Fed in the future would be able to restrain an economy that risks overheating and sparking inflation.

Geithner gets some credit—but still no cheers

[Capital]

By David Wessel

One year ago, on Feb. 10, 2009, Treasury Secretary Timothy Geithner outlined the new administration's approach for shoring up U.S. banks. The speech was a flop.

"If it were a movie, it would be headed for a short run," the Philadelphia Inquirer said of the man and his plan. The Dow Jones Industrial Average lost nearly 400 points. A Reuters columnist predicted the U.S. would "nationalize large swaths of its banking system by the time the leaves fall from the trees." Critics, which is to say nearly everyone, said the premature unveiling of a vague plan diminished confidence.

A year later, there's still lots to criticize. The economy is better, but not healthy. Big banks are stronger, but not lending readily; smaller banks are ailing. A few big financial institutions remain in intensive care.

But most big banks have paid back taxpayer money they swallowed during the worst of the crisis. They have raised $112 billion by selling shares to private investors. Neither nationalized nor broke, big U.S. banks are now criticized for making so much money that they're paying bonuses. The current threat to global financial stability isn't from Wall Street, but from Athens.

"This was a dramatically successful financial stabilization," Mr. Geithner said in an interview this week, sounding much more confident than he did a year ago. "We are way ahead of many other countries. We are doing it at a much cheaper cost to the taxpayers and much more quickly than anyone expected. I think a lot about how we could have explained what we did better to the public or did it in a way that seemed more fair. We still have a lot of damage from the crisis, but we are much better off because of what we did and how we did it."

The most biting critique isn't that the Obama-Geithner plan failed at its objective of stabilizing the banks; rather, it's that it worked so well that surviving, now-bigger banks are hampering the government's attempt to rewrite the rules of finance to prevent a repeat.

"Reform was put off until after the most powerful banks had grown even bigger, returned to profitability, and regained their political clout," economist Simon Johnson of the Massachusetts Institute of Technology writes in a forthcoming book, "13 Bankers."

As president of the New York Federal Reserve Bank during the Bush presidency, Mr. Geithner was among the first responders to the crisis; he'd like credit for what worked without blame for what didn't. But let's look at the three big moves that followed Barack Obama's inauguration.

The Federal Reserve, having pushed short-term interest rates to zero, attacked long-term rates by launching the purchase of $1.75 trillion in mortgages and other long-term securities. At Mr. Obama's urging, Congress enacted $787 billion in tax cuts and spending increases. A third of that stimulus is now out the door. Although argument over its design and efficacy persists, it did boost growth, most economists say.

Then there was the Geithner "financial stability plan." One element replaced a stillborn plan for the government to buy toxic assets from the banks by offering generous government credit to investors who bought them. Few took the bait, though the Treasury argues that the program's announcement helped boost prices of those assets. Another element was to enlarge a pre-existing Fed-Treasury effort to reignite the market in which auto, credit card and other loans are turned into securities. It didn't grow as large as the $1 trillion Mr. Geithner tossed out last year, but it has helped restart a moribund market.

The third element was putting banks through a government-crafted stress test to determine how much new capital they'd need, and promising (or threatening) that taxpayers would buy more shares in banks than they had in 2008—unless banks found private money. This was widely derided from the left as a poor substitute for nationalizing the banks and from the right as a precursor to nationalizing the banks. Others said it would disguise the severity of the banks' weakness. Alternative schemes might have worked better, perhaps even left banks stronger. But a year later, even Geithner critics acknowledge his approach worked better than they anticipated.

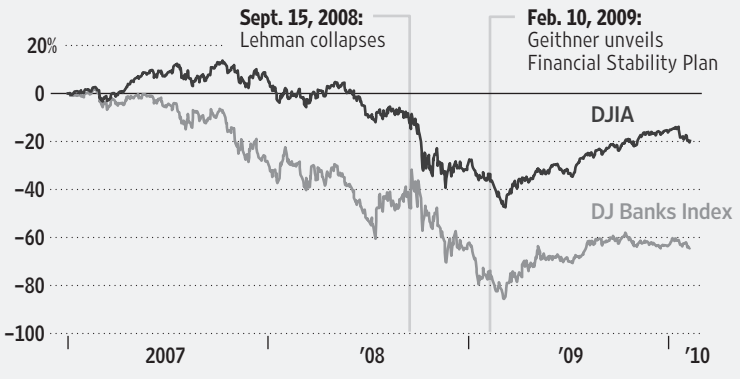
So why so few cheers?

The biggest reason is that all this has made borrowing easy for big companies, those that can sell bonds in the markets. "If you're a large corporation relying on capital markets, the Fed and Treasury saved you," says Charles Calomiris, a Columbia University economist. "In the other economy, the real engine of job creation, the banks aren't lending and bank capital is still very scarce."

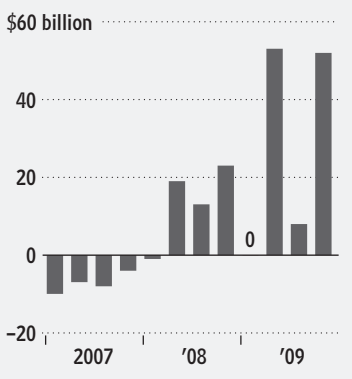
Cautious in a still-fragile economy, perhaps pressured by bank examiners, banks remain reluctant to lend to consumers and business borrowers. Until that changes, and the unemployment rate falls, there will be little applause for Mr. Geithner.

Less stressful

The stock market has rebounded...
Dow Jones Industrial Average vs. the Dow Jones U.S. Banks Index



Helping banks raise capital:
Net issuance of equity by U.S. banks*



*Excludes equity generated by asset sales and conversion of preferred stock. Negative sums show net repurchases of stock.
Source: SunGard PowerData via Factiva; U.S. Treasury (issuance)

WORLD NEWS

Mumbai police hold film protesters

More than 1,000 from Hindu nationalist party are detained ahead of movie premiere in attempt to thwart violence

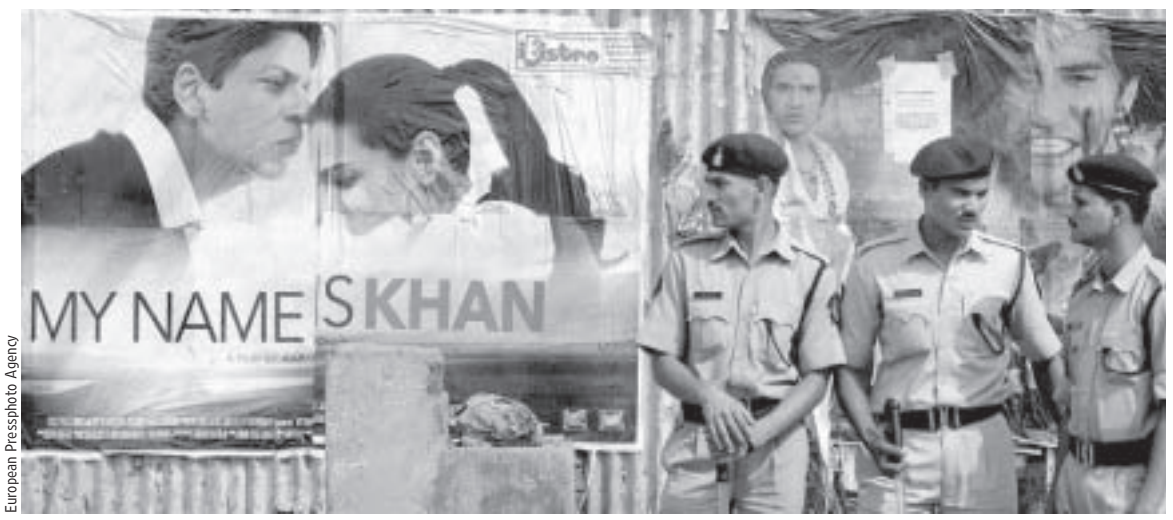
By Arlene Chang

MUMBAI—Mumbai police have detained more than 1,000 people in the hopes of heading off a potentially violent protest of a film set to hit theaters Friday.

Mumbai's Hindu nationalist party, the Shiv Sena, has pledged to disrupt the premiere of the film "My Name Is Khan" to protest the views of its star, Shah Rukh Khan. Mr. Khan upset the party by saying top Pakistani cricket players should be welcomed into India's professional cricket league. Mr. Khan is one of Bollywood's biggest stars and co-owner of Kolkata's cricket team.

Police said they will protect theaters ahead of Friday's premiere. "We will provide adequate security to facilitate the scheduled release of the film," said D. Sivanandhan, Mumbai's police commissioner. "We have made all arrangements" to protect theaters, he said.

In the past 36 hours, police rounded up 1,050 potential troublemakers from the Sena as a preventive measure, while 63 others have been arrested for rioting, damaging property, unlawful assembly and trespass during protests of the film Tuesday.



European Pressphoto Agency

Indian police stand guard next to a poster of the film "My Name is Khan" in Mumbai Wednesday, which is to open Friday.

Officials at the production company behind the film, **Dharma Productions**, as well as the film's Mumbai distributor, **Shringar Films**, didn't return phone calls. Fox STAR Studios will market and distribute the film throughout India; Fox STAR is a joint venture between Twentieth Century Fox and STAR, which are owned by **News Corp.**, which publishes The Wall Street Journal.

Theaters that started selling advance tickets for Mr. Khan's movie Tuesday saw strong sales, but they stopped selling Wednesday for fear of more attacks. "The advance booking on the first day was quite brisk and sales were good," said an official of Cinemax, a multiplex chain in Mumbai. "We stopped advance booking only this morning after Tuesday's attacks on theaters."

Sushant Rane, booking clerk at the Mehul Theater, which was vandalized by protesters Tuesday, said they were unsure of the film's screening. "We had never even opened bookings for 'My Name is Khan' and we were attacked. We are not even sure if we will be able to screen the film or not. That has yet to be decided," he said.

The Shiv Sena was founded by cartoonist Balasaheb Thackeray in 1966 and seeks to increase the influence of the natives of the state of Maharashtra, of which Mumbai is the capital. The protests are the latest incidents of local parties demonstrating their nationalism.

Climate group admits to making mistakes

By Jeffrey Ball
And Keith Johnson

Some top officials of a Nobel Prize-winning climate-science organization are acknowledging the panel made some mistakes amid a string of recent revelations questioning the accuracy of some of the information in its influential reports.

Officials of the Intergovernmental Panel on Climate Change, a United Nations-sponsored network of scientists whose reports strongly influence global policy on greenhouse-gas emissions, initially played down some of the allegations and criticized those who called them important. Increasingly, however, they are acknowledging the panel's mistakes and saying it needs to tighten its procedures.

"This has not increased the credibility of the IPCC," said Ottmar Edenhofer, a German economist who is co-chairing one of the main sections of the IPCC's next big climate-change report, due out in 2013 and 2014. "There is some room for improvement."

Scientists and other experts involved in the IPCC say most of the information assembled and reported by the organization is valid. They say the revelations don't impugn the IPCC's main conclusions: that climate change is largely due to man-made greenhouse-gas emissions and that it could have dangerous consequences. But though they say each revelation itself is small, they worry that the continuing string of them is damaging the IPCC's credibility—not just with experts who question the premise of human-induced climate change, but with the public at large.

In citing climate change as an important issue, a U.N. conference in December in Copenhagen didn't rely "on the precise date of the demise of Himalayan glaciers, or African agriculture" to tackle global warming, says Jean-Pascal van Ypersele, vice chairman of the IPCC and a professor at the Institut d'Astronomie et de Géophysique Georges Lemaître at the Université Catholique de Louvain in Belgium, mentioning subjects that have generated criticism of the IPCC. "It's the body of evidence" in the whole report that makes the case for action to curb emissions, he says.

Officials say they don't know of additional mistakes in the IPCC's seminal 2007 report, but they say that, given that the report runs more than 3,000 pages, additional mistakes may come to light. "I do not expect serious mistakes," Mr. Edenhofer said. "But I'm quite sure that if people read the 3,000 pages, there will be some more mistakes."

A number of climate-change skeptics and public officials, including U.S. Sen. John Barrasso, a Wyoming Republican, have said the IPCC's chairman, Rajendra Pachauri, should resign. IPCC officials said Mr. Pachauri was traveling and unavailable to comment Tuesday.

A U.N. spokesman said IPCC rules don't appear to give the U.N. secretary-general authority to dismiss the IPCC chairman, and noted that Secretary-General Ban Ki-moon hasn't called for Mr. Pachauri's departure. Under IPCC rules, the panel's members—national-government officials—choose the IPCC chairman.

That officials with the IPCC are on the defensive is a big turnabout from 2007, when the then-obscure U.N. organization shared a Nobel Peace Prize with former U.S. Vice President Al Gore. The IPCC got the prize for its 2007 report concluding that climate change is "unequivocal" and is "very likely" caused by humans. The report motivated countries around the world, including the U.S., to push for limits on greenhouse-gas emissions.

But recent revelations have undercut the Geneva-based organization. Among them: Emails were released in which leading scientists at an influential U.K. climate-science institute seemed to squelch dissent from researchers who disagreed with them; the 2007 report incorrectly said that Himalayan glaciers could disappear as soon as 2035; and it was revealed that scientists hadn't peer-reviewed a claim in the 2007 report that climate change would halve African agricultural yields by 2020.

Thousands of scientists and other experts volunteer their time with the IPCC to issue joint pronouncements every five or six years about one of the most complex scientific fields. The group, established by the U.N. Environment Program and the U.N.'s World Meteorological Organization, is administered by a paid staff of only a few dozen people and doesn't do any scientific research itself; its job is to assess work done by others, providing information for policy makers.

Experts involved in writing IPCC reports say the 2007 document's errors point up gaps in the organization's checks and balances. "They are not big mistakes," said Mr. Edenhofer, who is deputy director of the Potsdam Institute for Climate Research in Germany. But, he added, "We have to think about the procedures again." In particular, he, said, IPCC reports have to be more careful about noting the uncertainties surrounding information that hasn't been subjected to peer review among scientists.

The most glaring mistake in the 2007 report is the claim that Himalayan glaciers could disappear by 2035, several IPCC authors say. That claim wasn't based on any peer-reviewed scientific paper, but on a decade-old interview given by an Indian glacier expert. Some within the IPCC suggest the mistake may be a typo traced back to a 1996 U.N.-sponsored study—which also wasn't peer-reviewed—that said the glaciers would disappear by 2350.

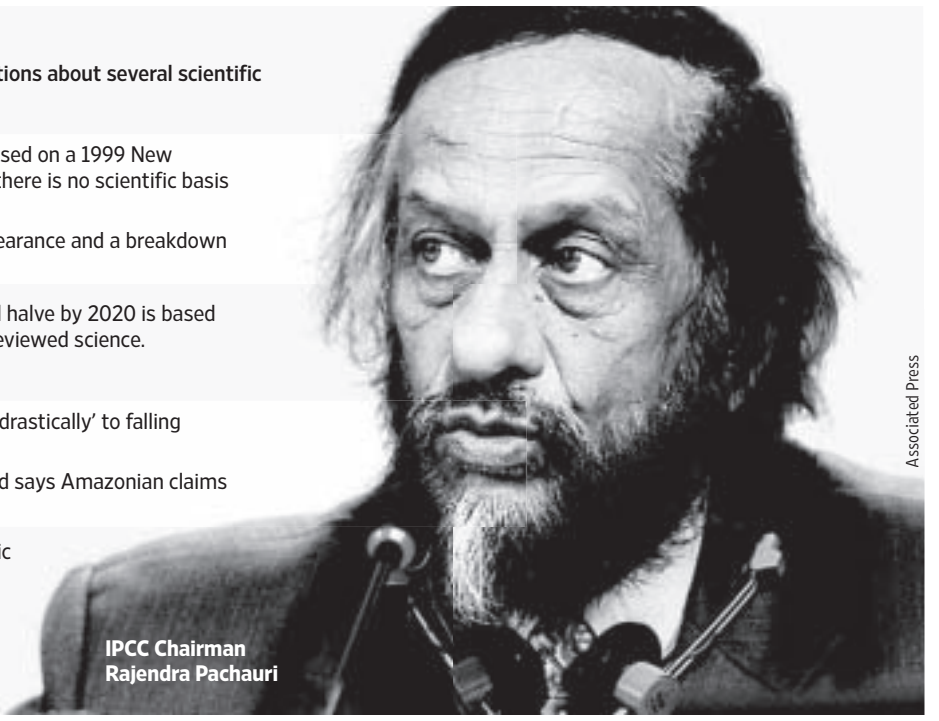
Chris Field, co-chair of another section of the IPCC's next big report and director of the department of global ecology at the Carnegie Institution for Science in Palo Alto, Calif., said he thinks the IPCC would have caught the error had the team of scientists writing the report chapter on the Himalayas included a glacier expert. It didn't.

—Guy Chazan and Ian Talley contributed to this article.

Heated debate

The Intergovernmental Panel on Climate Change is facing questions about several scientific claims in its 2007 climate science report. Some examples:

- A claim that Himalayan glaciers could disappear by 2035 is based on a 1999 New Scientist article; the scientist quoted in that article now says there is no scientific basis for the claim.
- **IPCC:** Cites 'poorly substantiated estimates' on glacier disappearance and a breakdown of IPCC procedures.
- A claim that agriculture yields in some African countries could halve by 2020 is based on a report by a Candian environmental think tank, not peer-reviewed science.
- **IPCC:** No formal response; IPCC still is investigating.
- A claim that 'up to 40% of the Amazonian forests could react drastically' to falling precipitation is based on a WWF report on forest fires.
- **IPCC:** Defends the citation of non-peer-reviewed literature, and says Amazonian claims borne out by more recent peer-reviewed studies.
- A statement linking rising temperatures to increased economic losses from natural catastrophes contradicts the findings of the research the report cites.
- **IPCC:** That section of the report is a 'balanced treatment' of the issue and contains 'many important qualifiers.'



Associated Press

IPCC Chairman Rajendra Pachauri

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Lam Thuy Vo

Lunar New Year has become a lucrative occasion for China's restaurants, like Fook Lam Moon in Hong Kong, where braised turtle is among the pricey menu items.

China's New Year feasts go upmarket

Celebrations—and dishes that have become a staple for wealthy Chinese—are taking place in fancy restaurants

By Jason Chow

Whether it's the shark's fin with crab roe soup at **Yi Long Court** at the **Peninsula Hotel** in Shanghai or the truffled claypot rice at the **China Grill** in Beijing's **Park Hyatt** hotel, Lunar New Year is a time for patrons at some of China's fanciest restaurants to splurge on expensive gourmet cuisine.

Dining out during the festive season is a relatively new concept for mainland China. Traditionally, the eve and first two days of the Lunar New Year were reserved for family, eating large meals prepared by an army of relatives, like a Thanksgiving or Christmas feast in the West. Restaurants were often closed during the period as well.

But in recent years, restaurateurs say the festivities—and the luxurious dishes that have become a staple for many wealthy Chinese—are now taking place in their dining rooms.

In Hong Kong, affluent locals have been feasting on shark's fin and abalone in gilded restaurants during the New Year for some time—the result partly of tiny apartments that are unable to host dinner parties.

At **Fook Lam Moon** in Hong Kong, pricey signature dishes for the festive season include a braised turtle number that costs 1,000 Hong Kong dollars (US$129). Reservations have bounced back this year after a dip in 2009, said Michelle Chui, a manager at Fook Lam Moon, which operates nine high-end Cantonese restaurants across Asia.

The chain's two Hong Kong restaurants are booked solid over the New Year season, and Ms. Chui says demand is largely fueled by mainland Chinese diners holidaying in the city. "This is a new phenomenon for us, only in the past two years" said Ms. Chui. "The mainlanders have a lot more money these days."

Some wonder if the rush to the restaurants is killing the true spirit of new year. Chen Hangfeng, a 35 year-old artist in Shanghai, loathes the obligation to eat numerous new year's meals at large banquet halls around the city and the fact that the new dining procession has replaced the family feast of years gone past.

"I don't like it at all," said Mr. Chen who recalls large spreads that were hosted at the homes of relatives, where everything was made from scratch by the family—even the grinding of the flour to make sticky rice balls for desserts.

"People try to order the expensive things to try to impress you and it just doesn't taste very good," he said. "By eating in restaurants, we're losing our authenticity."

Mr. Chen, however, is fighting a losing battle.

China's catering industry grossed 1.8 trillion yuan ($263.7 billion) in 2009—a 17% increase from the previous year, according to a report by China Cuisine Association released late last month. Consumer Web site dianping.com recently reported that the Beijing dining scene exploded with 40% sales growth in 2009, with 20 new restaurants opening daily in the capital. The site also noted that the average check in Beijing grew to 75 yuan, a 7% increase over the past year.

Holiday season can be particularly lucrative, with corporate clients among the biggest spenders in the lead up to festivities.

"We get a lot of companies coming here for entertaining. They always order the grouper, lobster, fat choy, oysters and abalone, and they're all good for blessing the new year," says Yi Long Court chef Tang Chi Keung, whose restaurant charges 1,280 yuan per person for a nine-course meal. "Every businessman who comes must order the fat choy dish to bring them good fortune."

But once the Lunar New Year begins, the focus is on family—even if it is in restaurants.

"Traditionally, we have dinner at home with the family, preparing and making dumplings together," said Sarah Li, marketing manager at **Elite Concepts**, a restaurant group that runs several eateries on the mainland, including Duck de Chine in Beijing. "Things have changed in recent years, with people now seeking out a nice restaurant to spend their New Year," she added. Diners need to book at least a month in advance to enjoy the new year's 388 yuan per person menu at Duck de Chine that includes its signature roast duck as well as new year favorites like braised conpoy with sea moss and dried oysters.

To a Beijinger who makes an average 56,578 yuan, the menu is indeed extravagant, especially to the host who insists on footing the entire bill.

Across town, the China Grill restaurant at the Park Hyatt hotel is also enjoying a surge in business, though as recently as three years ago, the same hotel that is fully booked had to create special promotions to stoke business during what had been traditionally known as a moribund period.

"We have definitely seen dramatic changes over the past few years," said Adam Lu, director of food and beverages at the Park Hyatt, who is luring diners with a menu that includes wok-fried Australian grain-fed beef and live prawns soaked in wine. "Not only have we observed more reservations, we found that the whole family will dine outside instead of staying at home."

WSJ.com

Watch a video about pricey Lunar New Year delicacies at **WSJ.com/video**

WEALTH

Shanghai Watch hopes its time to shine as an elite brand is now

By Duncan Mavin

Shanghai Watch branded models, including the 'A623' reportedly worn by Zhou Enlai, second from left, and the US$100,000 'Diamond Tourbillon,' far right.

Shanghai Watch

HONG KONG—As guests sipped champagne and nibbled on Manchurian caviar at a Hong Kong watch emporium Tuesday, a female model stalked the room wearing a heavy, diamond-encrusted timepiece valued at about US$100,000.

More surprising than the price tag was the watch's manufacturer: **Shanghai Watch** Co., a Chinese outsider that hopes to join the ranks of wristwatch royalty dominated by European brands such as Piaget, Rolex and Audemars Piguet.

It is a lofty—some might say unrealistic—aim for a brand with decidedly proletarian roots. Shanghai Watch made its name producing inexpensive, wind-up watches for the Chinese masses.

But the ambitions are understandable. In many parts of Asia, wristwatches are treated as a measure of a person's social standing, and demand for luxury timepieces from newly wealthy consumers in China has strong momentum. A host of watch boutiques have opened over the past two years in Hong Kong. The city, which imports 50% more Swiss watches than the U.S. by dollar value, doesn't charge any sales tax. That lures wealthy buyers from the Chinese mainland here to do their luxury shopping.

Two years ago, Shanghai Watch's owners began repositioning the brand at the luxury end of the market, and launched two high-end watches designed by celebrated Swiss watchmaker Eric Giroud. Unusually, while most luxury watches are powered by Swiss movements, even the guts of Shanghai Watch's timepieces are made entirely in China.

Only 200 of the rose gold and white gold watches with alligator leather straps have been created. They retail for about US$17,800 and feature a sophisticated tourbillion mechanism. The latest creation on display this week, coated with 45 carats in diamonds, was made to order for a mainland Chinese customer, and marks the most expensive watch yet designed by the 55-year-old firm.

Leonora Yung, president of Shanghai Watch, talks of global ambitions. "We hope to sell our watches around the world," she said while attending Tuesday's event, a Lunar New Year bash hosted by auctioneer Bonhams.

Ms. Yung, who owns 35% of the company, comes from one of China's best known families: her father Yung Hongren, was brother to Rong Yiren, a former Chinese vice president known as the "red capitalist."

In glass cabinets, 19 of the company's watches from throughout its history were on display Tuesday evening, including the "A581," the same model once reportedly worn by Zhou Enlai, Communist China's first premier. (Mao Zedong and Deng Xiaoping also wore the company's watches).

Shanghai Watch doesn't disclose sales figures, so it's unclear how successful its new tack has been. But clearly taking on the entrenched European competition just in Asia's luxury market—let alone in Europe or North America—is a tough challenge.

"People in Asia associate very good watches with Switzerland," says Radha Chadha, a Hong Kong-based brand consultant and author of "The Cult of the Luxury Brand: Inside Asia's Love Affair with Luxury."

"The luxury space in the Asian mind is occupied by Europe as of now," she adds.

Carson Chan, managing director and watch specialist at auctioneer Bonhams in Hong Kong, which hosted the event, says there is a "psychological barrier" for consumers of high-end watches to cross before the Shanghai Watches make an impact on the market.

But "I think you'll see the level of Chinese brands will continue to rise and compete on an international level," he says.

The Shanghai Watch brand could benefit from tapping into "a little bit of patriotism" in the domestic Chinese luxury market, he adds.

Columnist gets no medal for gold prognostication

By Dave Kansas

Back in early October, I said that gold was a lousy investment.

Boy, was I wrong!

Gold prices promptly shot higher from about $1,000 an ounce to fresh records above $1,200 an ounce by early December. Precious, indeed.

Since then, gold has given up most of the gains, and prices fell back to $1,067.50 an ounce on Wednesday morning. Until last week, there had been few large single-day price moves.

I concede that in October I underestimated a couple of issues in favor of gold, the biggest one being buying interest from central banks.

India made purchases in November. China also has expressed a desire to diversify more of its reserves into gold and other nondollar holdings.

Still, despite being in error back in October, I think gold investors should be careful. Any asset class romping ahead at 10% a month falls perilously close to the "too good to be true" category.

Bloomberg News

Too good to be true? George Soros has said gold is an asset bubble.

"Buy gold and get rich" investment advertisements proliferate and fund companies offer a growing array of gold and gold-mining exchange-traded funds.

Late in January, famous speculator George Soros, talking at the World Economic Forum in Davos, Switzerland, declared that gold was a big asset bubble.

He could be wrong, of course. But it does seem that a number of the darker reasons for gold's rise are diminishing.

The dollar has strengthened during the past couple of months and fears of its demise are vastly reduced.

Across the globe, central bankers and policy makers this year will move to unwind the various emergency measures put in place to rescue the global financial system. This process will be difficult to pull off perfectly, and each slip will cheer gold investors.

And even if the dollar doesn't collapse and inflation is a nonissue, gold prices could hold steady or even find a way to muscle higher. There's enough uncertainty in the system that gold will continue to attract those deeply concerned about the future.

Moreover, concerns about troublesome budget deficits in the U.S. and Europe could lead to another financial-system shock that would, naturally, benefit gold.

But for all that, the excitement around gold does feel a bit manic. One truth about manic moments: They can last a long time.

Former **Federal Reserve** Chairman Alan Greenspan expressed skepticism about the stock market back during the Internet bubble, famously uttering the phrase "irrational exuberance."

He offered those words in 1996, fully four years before stock prices peaked during that bull cycle.

THE DEBT AND DEFICIT CRISIS

Europe discusses Greek rescue plan

Finance ministers, ECB's Trichet talk about debt crisis amid growing speculation that a bailout is being planned

Euro-zone finance ministers held a conference call Wednesday with European Central Bank President Jean-Claude Trichet to discuss the Greek debt crisis amid growing speculation that a bailout is being planned.

By ***Adam Cohen, Matthew Karnitschnig, David Crawford*** *and* ***Charles Forelle***

European Union officials said the conference call started Wednesday afternoon, and the ECB's governing council was due to hold a conference call later in the day. These talks come a day after Germany's leaders said they were considering helping Greece, perhaps by guaranteeing its sovereign debt or buying Greek bonds through a state-owned development bank.

Leaders from the EU's 27 countries are meeting in Brussels on Thursday, where they are expected to focus on Greece's budget problems. Fears that Greece can't cope with its debt burden have rocked financial markets over the past few months and recently have also sparked doubts about public finances in Portugal and Spain.

Ahead of this EU summit, Greek Prime Minister George Papandreou met French President Nicolas Sarkozy in Paris Wednesday to discuss Greece's budget problems.

Mr. Sarkozy held talks with German Chancellor Angela Merkel on Wednesday prior to meeting Mr. Papandreou and was slated to discuss the Greek crisis with European Council President Herman Van Rompuy later in the day.

Mr. Papandreou left the lunch meeting saying he was committed to bringing the country's budget deficit below 3% of gross domestic product by 2012. He said he will take extra steps, if needed, to ensure this plan succeeds.

"We are absolutely decided to make sure it is implemented in every detail," he said.

People familiar with the matter said Tuesday that Germany is considering a plan with its EU partners to offer Greece and other troubled euro-zone members loan guarantees in an effort to calm fears of a government default. The plan would be undertaken within the EU framework but led by Germany, one of the people said. German Finance Minister Wolfgang Schäuble has discussed the idea in recent days with Mr. Trichet, this person said.

Mr. Schäuble told officials in Berlin on Monday that he had concluded there "was no alternative" to a rescue plan, according to a person familiar with his comments.

A meeting between Mr. Schäuble and lawmakers on possible support for Greece took place Wednesday, and no decision on aid has been made yet, a finance ministry spokesman said. The comments come after Mr. Schäuble met with parliamentarians from the Christian Democratic Union and Christian Social Union, part of Chancellor Angela Merkel's center-right government, to discuss possible aid.

"No decisions concerning aid have been made. We are working on preparing further restructuring steps with Greece in preparation of the European summit, in a move to calm markets," spokesman Michael Offer said Wednesday, reiterating comments he made Tuesday. "Everything else is speculation."

It is unclear how the debt guarantees under consideration might be structured, but with any aid, the EU will be walking a delicate line between forestalling a greater disaster and letting chronic overspenders such as Greece off easy, which could further damage trust in the euro.

"As long as it is very clear that any support only comes with very, very stringent conditions attached, it would not affect the moral-hazard question," said Fabian Zuleeg, chief economist at the European Policy Centre, a Brussels think tank. Still, he said, "It is a choice between two evils."

A bailout would also likely face fierce popular opposition in Germany and other countries whose taxpayers would effectively be taking on the risk of a default in the affected countries.

That the EU members are nonetheless considering such a step suggests that policy makers view the alternative—a potential default of a euro-zone country—to be an even worse outcome and one that could have grave consequences.

EU policy makers say the tumult in Greece poses an important test of the credibility of the euro, the bloc's decade-old common currency.

In a sense, the euro is a risky experiment, an economic alliance built on common monetary policy but independent fiscal management, coupled with a weak political pledge that no individual country will spend too much—a rule that Greece has repeatedly violated over the past decade. Greece's budget deficit for 2009 is expected to come in at close to 13% of its gross domestic product, far above the EU's ceiling of 3%.

EU policy makers say the tumult in Greece poses an important test of the credibility of the euro.

Germany's willingness to consider a rescue may also reflect the exposure of the country's own banks to the vulnerable countries.

German banks are major lenders in Greece, for example, collectively carrying about $43 billion in Greek debt on their books, including loans to private individuals and companies, according to Bank for International Settlements data for the third quarter of 2009. Among EU countries, only France's banks, with $75 billion, carry a larger share of Greece's $303 billion in debt to foreign banks.

In addition, some of Germany's public-sector banks, known as Landesbanken, have issued insurance-like contracts on Greek debt, known as credit default swaps. The total exposure of the country's eight Landesbanken is unclear.

Two of the banks, **Bayern LB** and **West LB**, described their exposure to Greek credit default swaps as negligible. Hanover-based **NordLB** and LBBW in Stuttgart declined to comment. Frankfurt-based **Helaba** and **HSH Nordbank** in Hamburg didn't immediately respond to requests for comment. SaarLB, in Saarbrücken, couldn't immediately be reached.

Providing aid to Greece and other countries wouldn't be straightforward, and it is unclear how it could be done under the aegis of the EU.

—Stephen Fidler, Andrea Thomas, Neil Shah, Nina Koeppen, Katie Martin, Mark Brown, Patrick McGroarty and Tom Lauricella contributed to this article.

Greece grapples with rampant tax evasion

BY SEBASTIAN MOFFETT AND ALKMAN GRANITSAS

ATHENS—Greece has one apparently simple option for reining in a budget deficit that has roiled financial markets: Clamp down on widespread tax evasion, which costs the country an estimated €15 billion ($20.5 billion) a year, an amount that would pay off a big chunk of the budget deficit.

The trouble is, tax evasion in this Mediterranean country is extremely difficult to eradicate.

Trying to cope with its budget problems, Greece announced new austerity measures Tuesday.

Finance Minister George Papaconstantinou said public-sector salaries would be frozen and supplemental incomes for civil servants cut by an average of 10%. Salaries and bonuses for the prime minister, senior government officials and officials at state-owned enterprises will be frozen, and under some conditions reduced. The measures would save some €850 million this year, said Mr. Papaconstantinou.

The government also announced a higher marginal tax rate of 38% on people earning more than €40,000 a year, up from about 25%.

In addition, dozens of tax loopholes and special rebates will be eliminated, and taxes will be increased on dividends and offshore companies. The tax measures would yield some €1.2 billion in revenue this year, the government said.

The Greek shadow economy, which is made up of unreported income, was 25.1% of gross domestic product in 2007, according to Friedrich Schneider, a professor at Johannes Kepler University in Linz, Austria. The shadow economies of Spain, Portugal and Italy were all around a fifth of GDP. That compared with just 11.8% for France and 7.2% for the U.S., he said.

Trying to explain the rampant tax evasion, Prof. Schneider says countries like Spain, Portugal and Greece have had continuous democracies only since the 1970s, and people aren't used to governments representing the public interest.

"In most of these countries, what matters is your family. ... There is less of a sense of duty towards the state," says Alberto Alesina, a professor of political economy at Harvard. "Evading taxes is something you can freely talk about—and be proud of—at a dinner party in these countries."

Reuters

A man in Athens Tuesday walks by a banner calling for a 24-hour strike to protest the government's new austerity measures.

Media reports are rife with accounts of corruption among tax officials. Ethnos, a newspaper, reported in mid-December that a 51-year-old Athens tax official had been arrested on suspicion of taking €1,000 from a pet-shop owner in exchange for not imposing a €3,000 penalty on the pet shop.

Meanwhile, n a government survey last year of 150 doctors in Kolonaki, an upmarket Athens neighborhood, half of the doctors said they were paid less than €30,000 a year. Thirty said they made less than €10,000.

"It is not possible for a taxpayer to declare an income of €15,000 while at the same time maintaining a big house, a big car, a recreational boat and sending his kids to private school," Mr. Papaconstantinou said.

Repeated requests for comment on the survey of Athens doctors were unanswered by the Athens doctors association.

A taxi driver last week offered a business traveler a €50 receipt for a €40 ride, to enable the traveler to overclaim expenses to his company.

The condition was that this receipt be scribbled on a piece of paper and not a printed receipt from his meter, which would result in the payment being registered.

Dimitris Mavrogiannis, who owns an auto-paint shop in the New Kosmos district of Athens, says he usually issues receipts, especially as a lot of his work is for insurance companies, who insist on them. But he says he makes exceptions.

"In the majority of cases, I do issue receipts," says Mr. Mavrogiannis, 58. "But sometimes people ask for a discount on the VAT tax and I say, 'OK.' "

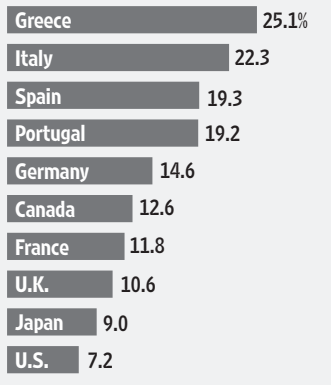
Such tax dodging is a problem now, as Greece's budget deficit was likely around 13% of GDP in 2009. which led to a selloff of Greek government debt and boosted the interest rate the government has to pay.

Economists say there is no overnight fix, and the only way to solve Greece's tax problems is through incremental measures. Greeks say they would like a fairer system.

"I work for a large Greek construction company ... but of course, I have also done my own jobs on the side off the books," says Alexandros Foukis, 27, a building contractor. "What the government needs to do is provide incentives to people to issue a receipt."

Cast of billions

Size of the shadow economy in 2007, as a percentage of GDP



Sources: Lars P. Feld, University of Heidelberg; Friedrich Schneider, Johannes Kepler University Linz

The Jimmy Carter Jobs Credit

Stimulus Plan A didn't work to create jobs or reduce U.S. unemployment. That was the $165 billion of tax rebates and money for states in February 2008.

Plan B flopped too. That was last February's stimulus that has devoted $862 billion into mostly government programs. The unemployment rate climbed steadily until last month, and the main lasting impact has been nearly $1 trillion added to the national debt.

Now comes Plan C, another February stimulus, though this time everyone has been instructed not to use the "s word," lest it scare the voters. This one is a "jobs bill," as if Plans A and B were about something else. Don't expect this one to work any better than the last two.

This latest Senate Democratic bill will cost $85 billion and is shaping up to be largely a rehash of last year's stimulus: extended unemployment insurance, Medicaid cash for the states, and some public works spending. The one new twist is a proposal for a one-year $5,000 tax credit for small businesses for each new worker hired. President Obama calls the credit "the best way to cut taxes" to help small businesses.

But we've also seen this economic movie before—in 1977 under Jimmy Carter. During the two years it was in effect, a jobs credit worth about $7,000 in today's dollars became a $20 billion free lunch as businesses claimed the handout for one of every three new employees.

> Congress's latest stimulus idea is a bust from the past.

In the short term, the Jimmy Carter jobs credit appeared to reduce unemployment. The jobless rate dropped by 1.2 percentage points (to 5.8% in 1979 from 7% in 1977). But that effect was short-lived, and when the subsidies ended two years later the layoffs resumed and the unemployment rate rose again and by 1980 was back to 7.2%.

The President is trying to lure Republicans to support this policy as a "business tax cut." But they should know that it violates sound tax principles. Pro-growth tax cuts, as adopted so successfully by JFK in the 1960s and Ronald Reagan in the 1980s, are broad-based and lower tax rates for as many people as possible. This reduces the distortions of the tax system, while permanently adding to the rewards for investment and risk-taking.

That's the opposite of Mr. Obama's tax strategy, which is to dole out special tax credits and loopholes for favored behavior or industries—hybrid cars, buying a new house, wind power—and then paying for these by raising tax rates on anyone making more than $200,000 starting next year. The result will be higher tax rates paid on a shrinking tax base, with a misallocation of capital toward projects chosen by politics rather than by prices or potential return on investment.

A 2009 study by the World Bank and Harvard University examined growth and entrepreneurship in 85 countries and found that lower tax rates on firms are powerful spurs to job growth and business start-ups. Perhaps Mr. Obama and Senate Majority Leader Harry Reid need a tax policy refresher from Dick Gephardt, Bill Bradley and other Democratic champions of tax reform from the 1980s.

Republicans and Democrats looking for a better way should call for a permanent reduction in the top personal and corporate tax rate to 25% to attract capital to the U.S. Making the current 15% tax rate on capital gains permanent, rather than raising it next year as Mr. Obama wants to do, would also help.

Recent surveys by the National Federation of Independent Business, the small business association, suggest that small employers don't want tax credits. They want a future in which Congress and federal agencies stop imposing new tax and regulatory burdens. Given the damage done by the current Congress, doing no more harm would do far more to increase hiring than a reprise of Carternomics.

The Regulator from SEIU

Before Snowpocalypse II hit Washington on Tuesday, the Senate squeezed in a brush back to President Obama and his friends at Big Labor. As the old saw goes, elections have consequences, and the one on the mind of legislators took place in Massachusetts last month.

Democrats Ben Nelson and Blanche Lincoln joined with Republicans to block cloture on a closely watched vote on the appointment of a lawyer for Andy Stern's Service Employees International Union to a seat on the National Labor Relations Board. As glaring was that only 52 Democratic Senators dared record their support for Craig Becker's nomination.

Speaking earlier in the day, President Obama hinted that he would be prepared to make recess appointments. Mr. Becker may be first on his list. If that happens, this confirmation battle should be clarifying about the NLRB's legal remit.

Mr. Becker ran into trouble from the moment his nomination came up last April. Among the nominees for the three open seats on the five-member board, his views stood out for their radicalism. In a law review article, Mr. Becker said the NLRB could rewrite union-election rules to favor labor by fiat—for example, by removing the requirement for a secret ballot.

> The Senate rebels against Big Labor.

His supporters at the SEIU saw an opportunity to run around Congress, which has so far failed even to vote on Big Labor's dream of a "card check" law that would make it much easier to organize. While an employee of the SEIU and the AFL-CIO last year, Mr. Becker also helped prepare several pro-labor executive orders issued by Mr. Obama. He failed to clarify his role during the confirmation process.

Explaining his opposition, Senator Nelson noted that Mr. Becker would bring "an aggressive personal agenda" to the NLRB, whose "main responsibility is to resolve labor disputes with an even and impartial hand." The board supervises union elections, investigates labor practices and interprets the National Labor Relations Act.

We think a President has the right to an up-or-down Senate vote on his nominees, even if Democrats didn't always allow George W. Bush that right. As the Becker nomination couldn't get to a vote, a recess appointment in our view also falls within the executive's prerogative—if Mr. Obama is willing to take that political heat.

Should that happen, Mr. Becker made some promises to Congress. He said that employers have a statutory right to request secret ballot elections. He also said employers have a First Amendment right to free speech and to take part in campaigns in the run-up to elections. All this contradicts previous statements, but a man can change his mind, and he should be held to it if he takes the NLRB seat.

Tremors in Sichuan

Earthquakes can be the ultimate test of government. In Haiti, last month's earthquake all but destroyed what little government there was to begin with. In Nicaragua, the 1972 earthquake set the stage for the collapse of the Somoza regime later that decade. As for China, the effects of the May 2008 earthquake in Sichuan province are only now becoming clear.

In many respects, the central government deserves credit for the way in which resources were mobilized quickly to help the remote region. Moreover, in the chaos immediately following the earthquake an unprecedented level of media freedom was allowed, leaving many observers optimistic about the opportunities it could create for greater political openness. But the past 21 months have shown what an accident of circumstance that was.

The latest news from Sichuan is the sentencing of Tan Zuoren, an environmental activist who worked on compiling a list of the students who died during the earthquake. On Tuesday he was sentenced to five years in prison, supposedly for inciting subversion by writing about the 1989 Tiananmen massacre. But it is widely assumed that the real reason was his investigation of fatalities in government-constructed schools.

> Tan Zuoren is not the only one jailed for speaking out.

According to his wife Wang Qinghua, Mr. Tan compiled a preliminary list of children who died in schools during the earthquake, including their age, grade, gender, and the likely cause of the building's collapse. He published the information online in May 2009. "He was actually helping the government, that's how I see it," Ms. Wang told us by phone. The government has released figures showing that 5,335 students died during the quake, but refuses to give more details.

Mr. Tan's sentence is just the latest in a string of cases targeting anyone who tries to investigate the deaths of students in poorly built schools, blow the whistle on misuse of aid money, raise donations for relief through unofficial channels or otherwise object to the government's behavior. Take the case of He Hongchun, whose three-year-old great niece was killed during the earthquake when her school collapsed. After Mr. He represented a group of parents who were protesting paltry life insurance payments (as low as a couple hundred dollars per child in some cases), he was arrested and found guilty of disrupting social order.

Similarly when Zeng Hongling, a retired university administrator living in Mianyang, penned three strongly worded essays and sent them to a friend who posted them online, she was taken into detention and her computer was seized. When another Sichuan native, Liu Shaokun, publicized pictures of collapsed schools, he was sentenced to a year of re-education through labor for inciting disturbance. His sentence was later suspended, but the message was clear.

Instead of heralding a new era of openness, the earthquake has been a catalyst for the same thuggish tendencies that characterize many of China's provincial and local governments. This extends beyond the courtroom: Graft has also kept pace with the aid money that has flowed into the damaged region. Last month an official audit of reconstruction moneys found that $34 million had been misused out of the $5.46 billion already spent, but the true total is likely much higher.

Much of this story is already known to Western audiences: An HBO documentary, "The Tears of Sichuan Province," has been nominated for an Academy Award. How ironic that the Chinese government has only compounded Sichuan's tragedies by this wall of denial.

OPINION

Yes, China Does Protect Intellectual Property

[Business Asia]

By Benjamin Bai

China often gets a bad rap for its failures to protect intellectual property rights—from knock-offs of luxury handbags to copies of music and videos. Google cited an alleged theft of its intellectual property as one reason for its decision last month to consider pulling out of China. Yet the picture isn't as bleak as you might think. The key is for foreign businesses to understand how IP protection works in China and to take better advantage of the protections that exist.

Among the most common misperceptions is the notion that patents are useless in China. In reality, patent law is a booming area. The Chinese Patent Office issued more than 580,000 patents in 2009, up 41% from a year earlier. New patent applications grew to 947,000 in 2009 from 252,000 in 2002. The Chinese Patent Office is now the third-busiest patent authority in the world, after Japan and the United States. Meanwhile, China surpassed the U.S. in 2008 to become the most litigious country in the world for IP disputes—with 24,406 suits filed, a 4.6-time increase over 2001. That compares to about 8,000 in the U.S. in 2009.

Yet foreign companies are leaving themselves out of this legal progress. Only about 10% of those patent applications were filed by foreign companies, and a foreign company was one of the parties in less than 5% of IP lawsuits filed in 2008.

This is partly because they believe the Chinese legal system will favor local companies in litigation with foreign competitors. Certainly the largest patent-infringement damages award in China's history, in 2007, saw French company Schneider Electric ordered to pay around $48.5 million to Chint Group, a Chinese company, for infringing a Chinese patent on a low-voltage circuit breaker. The suit settled for around $24 million in April 2009 as the appeal was underway. In 2008, another court hit Samsung with damages of $7.4 million for infringing a mobile phone patent held by Holley Communications.

Multinational companies just need to take better advantage of opportunities to defend their patents.

But foreign companies can also win in Chinese courts. Neoplan, a German bus company, won an award of $3 million in January 2009 against two Chinese companies for their infringement of its design patent on buses. This case represents the largest infringement damages award ever obtained by a foreign company in China and compares well to the average patent infringement damages award of less than $50,000. Last month, a Beijing court ordered two Chinese companies to pay a combined $1.3 million in damages to a British manufacturer of electric kettle components.

Anecdotal evidence suggests the recent win rate for multinational companies in IP suits in China has been greater than 50%. In some cities the win rate exceeds 90%. While it may be premature to declare victory based on these statistics, they do suggest that it is a mistake to assume that multinational companies cannot win IP suits in China.

Foreign companies just need to know how to take advantage of these trends. Too many have made the mistake of not applying for patents and trademarks in China. Foreign patents and trademarks are not enforceable in China, just as Chinese patents and trademarks are not enforceable in the United States. Multinationals also should be willing to enforce their Chinese IP rights against infringers. Litigation success requires more than a mere willingness to sue. An in-depth understanding of the Chinese judicial system and relevant legal doctrines and an ability to maneuver through the intricacies of law and politics in China are essential for foreign companies enforcing IP rights there.

Multinationals also can benefit from several positive IP trends within China. One is a growing emphasis by policy makers on building a functional intellectual property regime. The State Council in 2008 released a new "Outline of the National Intellectual Property Strategy" that acknowledges that robust IP protection is a critical component of an innovation-driven economy. China's patent law was amended for the third time last year to bring it further in line with international standards. China also is reforming the judicial system in response to the increasing number and complexity of IP suits, clarifying venue rules and considering establishing courts of appeal for IP cases.

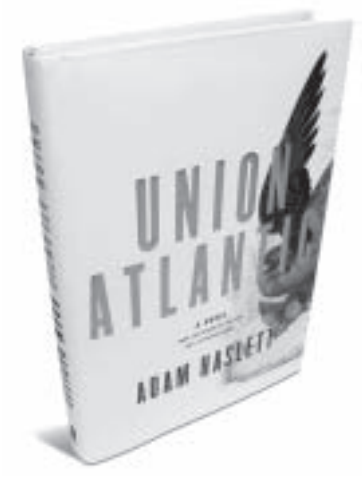
China now has a domestic constituency for improved IP enforcement: its own innovative companies. For instance, Huawei Technologies Co. Ltd., a Shenzhen-based telecoms company, filed the most Patent Cooperation Treaty applications (which lay the groundwork for patent applications in other countries) in 2008, according to statistics published by the World Intellectual Property Organization—beating Panasonic, Phillips, Toyota and other multinational companies that used to hold the top spot. Chinese companies like Huawei benefit from strong IP protection, too, and could help pressure policy makers to strength the IP regime more broadly.

While certain problems remain in Chinese intellectual property protection, multinational companies should operate under the assumption that China protects IP and aggressively build an IP portfolio there. Learning how to work within the system is more effective than merely wishing the system were better.

Mr. Bai is a Shanghai-based partner with Jones Day, specializing in intellectual property law.

A Bank on the Brink

[Bookshelf]



Union Atlantic
By Adam Haslett
(Nan A. Talese/Doubleday, 304 pages, $26)

By Peter Lattman

Once upon time, there was a regional bank that took deposits and offered checking accounts. Over the years it grew into a financial-services giant. Then, to juice earnings, it traded the firm's own money—"proprietary trading as it was called." Trouble ensues.

That of-the-moment story—President Barack Obama recently proposed a ban on banks' proprietary-trading operations—propels "Union Atlantic," Adam Haslett's debut novel about an overleveraged banking behemoth struggling to stay afloat. But "Union Atlantic" is more than a financial page-turner. It is an ambitious literary work, filled with compelling characters, evocative prose and finely drawn social portraiture.

At the heart of the story are four characters whose lives intertwine—and sometimes collide spectacularly. There is Doug Fanning, a hard-charging financier with a crooked moral compass; his neighbor Charlotte Graves, a lonely intellectual descending into dementia; her brother, Henry Graves, the president of the Federal Reserve Bank of New York; and Nate Fuller, a slacker teen exploring his sexual leanings.

Befitting an early 21st-century novel, there is also a McMansion. Located in a leafy Boston suburb, the house is a mammoth bachelor pad filled with little more than flat-screen televisions and empty beer bottles. It is occupied, of course, by Fanning, the handsome nouveau-riche banker. After serving as a Navy officer in the Persian Gulf, Fanning lands a job at Union Atlantic bank and hustles his way to the top. Living next-door is Charlotte, a retired history teacher whose dilapidated house is crammed with overstuffed bookcases. With "an aesthetic revulsion," she detests Fanning and his "steroidal offense" of a house, which sits on land that her grandfather had donated to the town. She files a lawsuit to oust him.

Her brother, the New York Fed chief, finds himself in a peculiar position: Henry is wrestling with the effects of Charlotte's mental decline—most prominently her obsession with the Fanning house—even as he is trying to save Fanning's bank from an implosion that might do untold damage on Wall Street. Not that Henry has much sympathy for fat-cat bankers. While putting out a smaller financial fire early in the book, he describes an executive as "the kind of Business Roundtable chump who spent his lunchtime decrying government intrusion and now found himself on a cell phone in the middle of the night pleading with the government to save him." Such passages give "Union Atlantic" a ripped-from-the-headlines feel, though Mr. Haslett clearly cares as much about the interactions of his characters as the machinations of the banking system.

Wayward financial practices, a McMansion under siege.

In the case of Union Atlantic, the cause of its vulnerability is a big wrong-way bet made on the Japanese stock market. Mr. Haslett paints an amusing caricature of the rogue trader responsible for the ill-fated trade: "A Holy Cross grad, McTeague had grown up in Worcester and learned the business with a specialist on the floor of the NYSE. A rabid Bruins fan, his conversation didn't extend much beyond hockey and derivatives. Twenty-eight and itching to make a killing."

Die-hard literary realists might yearn for problems caused by subprime mortgages instead of Asian equities, but the ultimate problem is the same. "Let me start by saying," Henry Graves tells the bank's chairman, "that if you or your board is under the impression that Union Atlantic is too big to fail, you're mistaken."

The novel is not without its weak moments. There are contrived plot points, as when Nate, the troubled high-school student, emerges as both Charlotte's pupil and Fanning's boy toy. And the ending feels hurried in its rush to tie up all the sprawling narratives. That's disappointing, because Mr. Haslett, whose 2002 short-story collection, "You Are Not a Stranger Here," was a finalist for the Pulitzer Prize and the National Book Award, knows how to hold a reader's attention. In "Union Atlantic" he riffs skillfully on New England society, for instance, in which a wedding is "all high tents and high Episcopal good form, from the Bloody Marys to the starched collars to the understated, almost humble self-satisfaction of the father's toast." The currency behind routine credit-card purchases, Mr. Haslett notes, involves money that "until that moment had never appeared on a balance sheet or been deposited with a bank, that was nothing but a permission for indebtedness, the final improvisation in a long chain of governed promises."

Nightstands are already stacked with nonfiction accounts of our recent gilded age and the financial crisis that ended it. "Union Atlantic" is the first serious fictional portrait of the bail-out era—in which the unbridled risk-taking of our banking institutions bumped up against powerful government officials trying to keep the system afloat. Decades from now, this fine novel will help readers understand the period we've just been through.

Mr. Lattman covers private equity for the Journal.

Comments? The Journal welcomes readers' responses to all articles and editorials. It is important to include your full name, address and telephone number. Please send letters to the editor to: **Letters@WSJ.com**

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OPINION

Pakistan Needs Its Own Nuclear Deal

By C. Christine Fair

Pakistan terrifies the United States because it is a unique nexus of nuclear proliferation and Islamist militancy. But with success in Afghanistan elusive, Washington needs Islamabad more than ever, and vice versa. The two countries have never been able to achieve a durable relationship based on mutual trust. That could be fixed, however, if the U.S. were willing to consider a radical new approach: a policy centered on a conditions-based civilian nuclear deal.

Such a pact could finally offer the right set of carrots to ensure Islamabad's counterterror cooperation.

Nuclear cooperation could deliver results where billions of dollars of American aid have failed. Pakistan has long benefited from Washington's largess—including more than $15 billion in aid and lucrative reimbursements since 9/11—while only marginally delivering on U.S. expectations. Islamabad has refused to work against the Afghan Taliban and home-grown terror groups like Lashkar-e-Taiba, or provide Washington access to A.Q. Khan to verify that his nuclear black markets have been dismantled.

Pakistan has bristled at U.S. attempts to tie better behavior to security assistance, such as the Kerry-Lugar-Berman legislation. That law provides for $7.5 billion in civilian aid. But it conditions unspecified amounts of security assistance on Pakistan's continued cooperation with Washington to dismantle nuclear supply networks such as Khan's. And it demands a sustained commitment to combat terrorist groups such as Lashkar-e-Taiba.

More so than conventional weapons or large sums of cash, a conditions-based civilian nuclear deal may be able to diminish Pakistani fears of U.S. intentions while allowing Washington to leverage these gains for greater Pakistani cooperation on nuclear proliferation and terrorism. This deal would confer acceptance to Islamabad's nuclear weapon program and reward it for the improvements in nuclear security that it has made since 2002. In the long shadow of A.Q. Khan and continued uncertainty about the status of his networks, it is easy to forget that Pakistan has established a Strategic Plans Division that has done much to improve safety of the country's nuclear assets.

In exchange for fundamental recognition of its nuclear status and civilian assistance, Pakistan would have to meet two criteria. First, Pakistan would have to provide the kind of access and cooperation on nuclear suppliers' networks identified in the Kerry-Lugar-Berman legislation. Second, Pakistan would have to demonstrate sustained and verifiable commitment in combating all terrorist groups on its soil, including those groups such as Lashkar-e-Taiba that Pakistan often calls "freedom fighters" acting on behalf of Kashmir and India's Muslims.

Such a civilian nuclear deal could achieve the goals that Kerry-Lugar-Berman could not because it

David G. Klein

would offer Pakistan benefits that it actually values and which only the United States can meaningfully confer. Finding means of addressing these joint concerns is critical to U.S. international and regional interests. Pakistan currently operates on the assumption that its possession of nuclear weapons confers a degree of protection against American or Indian attempts to crack down on Pakistan's home-grown terror groups. Ample experience has shown that "jihad under the nuclear umbrella" is a reliable means to secure Islamabad's interests against a larger and more powerful set of adversaries.

In the future Pakistan is likely to become more reliant, not less, on nuclear-protected jihad to secure its interests. Pakistan's fears of India are chronic and are likely to deepen as India continues its ascent on the world stage. Despite India's past restraint, a militant attack in India remains one of the most likely precipitants of an Indo-Pakistan war. The specter of further nuclear proliferation to states or non-state actors remains a serious concern.

That's where a civilian nuclear deal between the U.S. and Pakistan could prove so important. The U.S. is currently limited in its ability to shore up Pakistan's confidence against India because Islamabad fears that Washington, perhaps working with India or Israel, seeks to dismantle Pakistan's nuclear weapons program. Fundamentally, Pakistan believes the U.S. rejects its status as a nuclear-armed state, whereas Washington has accepted and even supported the other two states that have acquired nuclear weapons outside of the Nuclear Nonproliferation Treaty, Israel and India. With a civilian nuclear deal, Washington can trade the nuclear acceptance Pakistan craves for the cooperation the U.S. needs.

A nuclear deal will not be an easy sale either in Washington or in Islamabad. Details of the India-U.S. deal are still being negotiated more than five years after the idea was initially floated. A deal with Islamabad will be even more protracted because of A.Q. Khan's activities and the clout of domestic lobbies in Washington. It is possible that even this deal may not provide Pakistan adequate incentives to eliminate terror groups or provide access to persons like A.Q. Khan.

Yet there is value in putting this on the table now. Ties between Washington and Islamabad have never been more strained, yet are critical to key interests of both states. Washington needs a plan that is as bold and as the challenges that Pakistan presents.

Ms. Fair is an assistant professor of South Asian political military affairs in the security studies program at the Edmund A. Walsh School of Foreign Service at Georgetown University.

Greece Is Bankrupt (Morally, At Least)

By Takis Michas

In Greece, as elsewhere, if the management of a company reports misleading figures about the company's financial situation to boost the price of the shares or to support the sale of securities, it risks criminal charges. Around the world, including in Greece, this is securities fraud.

But in Greece, unlike elsewhere, if those responsible for the deception are members of a (previous) government and if the victims are "foreigners" (*xenoi*, in Greek) they run no such risk. The most they can expect is slap on the wrist and a mild "Please don't do it again!"

This in a nutshell describes the Greek financial situation. Although it is certain by now that the former New Democracy government fiddled with the statistics to boost Greece's economic image with investors, no legal charges have been brought against either former Prime Minister Costas Karamanlis nor his economic entourage.

Yet the conscious distortion of the figures concerning Greece's fiscal deficit clearly constitutes deception of the prospective buyers of Greek debt. The latter were led to demand a much lower risk premium than they would have, had the true facts of the situation been known to them. And although the present Prime Minister George Papandreou was brave enough—by Greek standards—to reveal the magnitude of the financial misdeeds of the previous administration, he nevertheless shied away from ordering a full-scale investigation into this fraud.

Blame the government that lied to bondholders about the deficit, not the investors who bought the bonds.

The unwillingness or inability of the Greek legal and political system to seek out and punish the perpetrators of this act of disinformation has created a moral vacuum in which all kinds of conspiracy theories flourish. They all have in common that they blame the victims—the holders of Greek debt—for Greece's present predicament. The Greek media are filled with stories about the despicable "speculators," "profiteers," "bankers," "financiers," and "Shylocks" that are to blame for the economic mess the country is in.

According to the dominant conspiracy theory, Greece is engaged in a gigantic fight to save the honor of the euro zone—believe it or not. The "attacks" of the "foreign speculators" against Greece in effect represent an onslaught against the euro by all the "dark forces" (read: Americans) who do not wish Europe to prosper and assume its rightful place on the international scene.

This is a discourse that goes down extremely well with the majority of the population. For 30 years, all of Greece's political parties have fed them a steady diet of "anti-imperialist" rhetoric, according to which the causes of Greece's misfortunes are always the *xenoi* and the machinations of "neoliberal profiteering." So it comes as little surprise that such conspiracy theories are so popular.

Indeed, when one does hear an average Greek say, "We can blame only ourselves" for the crisis, what he usually means is that Greeks hurt themselves by revealing to the "foreigners" the true size of the fiscal deficit. If only the present government had not revealed to the world the deception, Greece, according to this narrative, could continue to milk the "stupid Franks," as they say in Greek, for years to come. In other words, the problem is not the size of the deficit per se but the fact that the present government of Greece chose to tell the world about it.

In other words, Greece's problem is not only economic. It is also moral.

"The fudging of statistical data," says Prof. George Bitros of the Athens University of Economics and Business," has been a long tradition in Greece and not just because of interventions on the part of the government." He goes on: "It is a serious systemic failure that has its roots in the failure of the political system as well as the structure and lack of transparency in the public sector. This is to say that the cancer has spread deeper into the structure of the system and would turn even saints into Rasputins."

Failing to punish those who bear the political responsibility for this massive deception will do nothing to restore Greece's credibility among international investors. On the other hand, instituting legal proceedings against those responsible may not necessarily pacify the markets but will definitely show the world that deception is not tolerated in Greece—even if the victims are the xenoi.

Mr. Michas is the author of "Unholy Alliance: Greece and Milosevic's Serbia" (Texas A&M University Press, 2002).

Applesoft

[Business World]

By Holman W. Jenkins, Jr.

Don't look now but this may be the year when Apple's market cap does the unthinkable and surpasses Microsoft's. Congratulations will be in order but so will condolences. For a company preoccupied with products is in danger of becoming a company preoccupied with strategy. And by "strategy," we mean zero-sum maneuvering versus hated rivals.

Take the iPad, which instantly shed the moniker "Jesus tablet" once it saw the light of day. It's a blown-up iPod Touch, rolled out not to be insanely great but to give Apple an entry in the netbook derby. The iPad may not be the best Web-browsing machine simply because Apple refuses to support Flash, which delivers 75% of the video on the Web. But the iPad (an anagram for paid) looks like a good device for consuming the e-books, music and video sold through Apple's online service.

And what about Apple's decision to exclude Flash? Apple and its supporters stake out aesthetic and philosophical grounds: Flash is buggy. Flash is a power hog. Flash is "proprietary" (horrors). Flash is used to create those annoying Web ads (never mind that advertising is what pays for most of the Web).

Uh huh. Flash would also allow iPhone and iPad users to consume video and other entertainment without going through iTunes. Flash would let users freely obtain the kinds of features they can only get now at the Apple App Store.

Apple may be succumbing to the seductive temptations of "network effects," in which the all-consuming goal becomes getting its mobile devices into more and more hands simply for the purpose of locking more and more users into iTunes. Enter nemesis in the form of Google.

Widely circulated have been remarks by Mr. Jobs at a meeting with Apple employees late last month in which he unceremoniously dumped on Google's "don't be evil" mantra. Apple had played nice, he reportedly said, while Google traitorously plotted to launch its own mobile devices in order to "kill the iPhone."

Google won't kill the iPhone. What's really threatened is Apple's ability to keep convincing tens of millions of consumers to lock themselves into iTunes. Not for nothing Google flaunted a mockup of its own slate-like device a few days before the iPad unveiling. And Google's mobile devices support Flash—i.e., they allow users to patronize the Web goodies that Apple users can't.

Network effects can be a path to power and riches, but (as Microsoft has shown) much of the proceeds can also end up being squandered on defensive and paranoid attempts to secure the privileged position. Pundits have wondered what might become of Apple once its chief aesthete and perfectionist is no longer calling the shots. An Apple that rolls out increasingly junky devices merely to lock more and more customers into the iTunes-App Store mall is one gloomy possibility.

IN DEPTH

Secretive corporate culture, resistance led Toyota astray

Auto maker's silence reveals a growing rift between Japanese company and NHTSA, one of its top U.S. regulators

On Jan. 19, in a closed-door meeting in Washington, D.C., two top executives from **Toyota Motor** Corp. gave American regulators surprising news.

Evidence had been mounting for years that Toyota cars could speed up suddenly, a factor suspected in crashes causing more than a dozen deaths. Toyota had blamed the problem on floor mats pinning the gas pedal. Now, the two Toyota men revealed they knew of a problem in its gas pedals.

By Kate Linebaugh, Dionne Searcey and Norihiko Shirouzu

The two top officials from the National Highway Traffic Safety Administration "were steamed," according to a person who discussed the meeting with both sides. As the meeting closed, NHTSA chief David Strickland hinted at using the agency's full authority, which can include subpoenas, fines, and even forcing auto makers to stop selling cars.

Toyota had known about the gas-pedal problem for more than a year. Its silence with U.S. regulators, and other newly uncovered details from the crisis enveloping Toyota, reveal a growing rift between the Japanese auto maker and NHTSA, one of its top regulators. Regulators came to doubt Toyota's commitment to addressing safety defects, according to interviews with federal officials and industry executives, and accounts of Toyota and NHTSA interactions the past year.

The heart of Toyota's problem: Its secretive corporate culture in Japan clashed with U.S. requirements that auto makers disclose safety threats, people familiar with the matter say. The relationship soured even though Toyota had hired two former NHTSA officials to manage its ties with the agency.

Toyota's troubles spread Tuesday when it recalled all Priuses to address a braking problem, even as executives suggested the step was unnecessary.

Toyota acknowledges the rift with regulators. "Believe me, we have changed our mind-set," said Shinichi Sasaki, Toyota's quality chief, referring to a heated December confrontation in Tokyo with NHTSA officials over floor mats. "We don't believe this is going to be a problem in the future. We are completely on the same page with NHTSA."

Toyota's woes have roots in 2002's redesigned Camry sedan, which featured a new type of gas pedal. Instead of physically connecting to the engine with a mechanical cable, the new pedal used electronic sensors to send signals to a computer controlling the engine. The same technology migrated to cars including Toyota's luxury Lexus ES sedan. The main advantage is fuel efficiency.

But by early 2004, NHTSA was getting complaints that the Camry and ES sometimes sped up without the driver hitting the gas. It launched its first acceleration probe, focusing on 37 complaints, 30 of which involved accidents, according to a NHTSA document filled out by Scott Yon, an agency investigator, dated March 3, 2004.

Mr. Yon and another NHTSA official, Jeffrey Quandt, discussed the case several times over the next 20 days with Toyota, according to a deposition by a Toyota official filed in a Michigan lawsuit related to one of the fatal crashes. In that accident, a 2005 Camry allegedly raced out of control for a quarter-mile, and sped up to 80 miles an hour from 25, before crashing and killing its driver.

By month's end, Mr. Yon updated his NHTSA case file with a memo. It said NHTSA had decided to limit the probe to incidents involving brief bursts of acceleration, and would exclude so-called "long duration" incidents in which cars allegedly continued racing down the road after a driver hit the brakes.

The reason: Investigators decided it would be more effective to isolate any possible defect by zeroing in on shorter incidents, a Transportation Department official said. The shorter incidents looked more like "pure cases of engine surging due to a possible defect," the official said. Longer incidents were excluded because they showed more signs of driver error such as mistaking the accelerator for the brake.

Messrs. Quandt and Yon didn't respond to requests for comment.

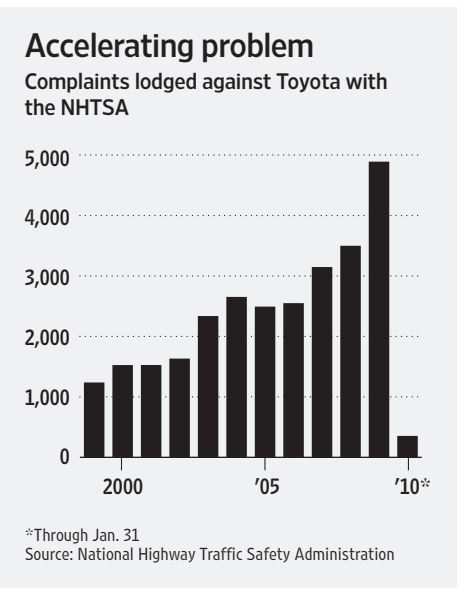
Of the 37 incidents, 27 were categorized as long-duration and not investigated. On July 22, 2004, the probe was closed because NHTSA had found no pattern of safety problems.

Complaints kept rolling in. In 2005 and 2006, NHTSA got hundreds of reports of unintended acceleration involving Toyotas, according to Safety Research & Strategies, a consumer-safety research firm. On two occasions, Toyota filed responses arguing that no defect or trends could be found in the complaints.

In a Nov. 15, 2005, letter to Mr. Quandt, Christopher Tinto, a Toyota liaison with the safety agency, asked NHTSA to drop a preliminary probe into sudden acceleration by the Camry and Lexus ES, saying "there is no factor or trend indicating that a vehicle or component defect exists." He used similar language in a June, 11, 2007, letter responding to a subsequent probe.

In March 2007, the agency opened a new probe, focusing on whether the gas pedal in the Lexus ES350 sedan could get caught beneath heavy rubber floor mats sold as accessories. It looked at five crashes, including four multivehicle accidents.

NHTSA sent surveys to 1,986 owners of ES350s. Six-hundred responded, and 59 said they had experienced unintended acceleration. Thirty-five attributed the surge to a floor mat pressing down on the gas pedal.



The rest either didn't specify or cited other possible explanations.

NHTSA officials worked on the probe with their main contact at Toyota, Christopher Santucci. The NHTSA team knew Mr. Santucci: He had worked there from 2001 to 2003. Mr. Santucci's supervisor at Toyota, Mr. Tinto, had worked at NHTSA in the past, too. Messrs. Santucci and Tinto didn't respond to requests for comment.

At one point, Mr. Santucci brought a Lexus ES350 to a parking lot outside Washington, D.C., for testing. Messrs. Yon and Quandt raced across the lot, hitting 60 mph before jamming on the brakes to measure the force needed to stop.

It's common for NHTSA to work cooperatively with all auto makers in this way. NHTSA can do its own testing, but it generally relies on manufacturers to supply technical data. Its Office of Defects Investigation has only 57 employees to deal with some 35,000 complaints a year.

Car makers "are almost self-regulated," said an auto-industry chief executive who has worked with NHTSA. Without makers' help, there's "no way for NHTSA to look into all these issues." To spur cooperation, the agency has the power to force recalls and fine companies for providing misleading information or not providing safety information in a timely fashion.

Toyota for years has been one of the most difficult auto makers for regulators to deal with because it is resistant to being told what to do, said Joan Claybrook, a former NHTSA administrator who later became president of consumer-advocacy group Public Citizen until stepping down last year. But she also blamed the agency's collaborative approach for undermining its role. "They have tremendous power and authority but they don't tend to use it."

A Transportation Department spokeswoman disputes that, saying: "NHTSA has the most active defect investigation program in the world. In the last three years alone [it] resulted in 524 recalls involving 23.5 million vehicles."

By August 2007, NHTSA wanted Toyota to issue a Lexus and Camry recall to remove the floor mats Toyota blamed for the acceleration problems. "Toyota assured us that this would solve the problem," said Nicole Nason, then NHTSA's administrator.

In their probe, NHTSA investigators asked Toyota, "Are you sure it's not the gas pedal?" Ms. Nason said. "They assured us it's just the floor mat."

Toyota says that, at that time, it had no indication of problems with the pedal design.

Toyota ended up recalling Camrys and ES350s from 2007 and 2008 model years. Owners were told to bring the cars to dealerships to get new mats. The action involved 55,000 cars.

After the recall, reports continued trickling in that it may not have resolved the issue. One major case was 2008's spectacular fatal crash in Michigan. On April 19 that year, Guadalupe Alberto, 77 years old, was driving a 2005 Camry on Copeman Boulevard, a residential street in Flint. She was traveling about 25 mph when the car accelerated to 80, according a lawsuit against Toyota in Michigan. The car raced about a quarter mile before going airborne and colliding with a tree, killing Ms. Alberto, according to the suit, in Genesee County circuit court. The suit remains under way.

Floor mats couldn't have been the cause. Ms. Alberto had removed hers days before the accident, said one of the attorneys handling the case against Toyota. The accident was similar in some ways to the "long duration" type excluded from NHTSA's first probe in 2004.

A year later, NHTSA was asked to open a new probe by a Minnesota man who said his Lexus ES350 took off on a highway and raced for two miles before he regained control. Toyota filed a rebuttal, saying it believed a floor mat was the cause.

Separately, since December 2008 Toyota's European unit had been looking into a problem causing cars in Ireland and England to surge or fail to slow. After months of testing, Toyota found the culprit: a plastic part in the pedal mechanism also widely used in the U.S.

Toyota redesigned the pedals for new cars coming off the assembly line. But it didn't issue a recall in Europe or notify U.S. regulators. Nor did Toyota alert its U.S. unit to the situation in Europe, according to a person familiar with the matter.

Last month, Toyota's Mr. Sasaki said the company didn't alert U.S. regulators then because it didn't see in the U.S. specific consumer complaints about sticky pedals, although a few complaints started to come in by early autumn.

The Europe issue hasn't been linked to accidents and isn't related to sudden accel-

Associated Press

Master Diagnostic Technician Kurt Juergens works on a 2010 Toyota Prius in Masschusetts.

IN DEPTH

Agence France-Presse/Getty Images

The heart of Toyota's problem with U.S. regulators: Its secretive corporate culture in Japan clashed with U.S. requirements that auto makers disclose safety threats.

Toyota President Akio Toyoda, second from left, and Vice President Shinichi Sasaki, left, bow following a news conference Tuesday.

Recall road map

Recent history between Toyota and the National Highway Traffic Safety Administration

2007

March 29
NHTSA opens an investigation into the 2007 Lexus ES350 based on five consumer complaints of pedal entrapment.

Sept. 13
NHTSA finds that the fatal crash of a 2007 Toyota Camry was caused by floor-mat pedal entrapment and tells Toyota a recall is needed.

Sept. 26
Toyota recalls all-weather floor mats. NHTSA warns Toyota owners to remove or properly secure mats.

2009

Sept. 25
After a fatal crash of a 2009 Lexus ES350, NHTSA tells Toyota it expects a recall to address the defect in the pedal design, not just floor mats.

Oct. 5
Toyota recalls 3.8 million vehicles for pedal entrapment by floor mat.

2010

Jan. 16
Toyota tells NHTSA that certain pedals may have a defect. NHTSA later tells Toyota it expects prompt action.

Jan. 21
Toyota recalls 2.3 million vehicles. Days later NHTSA informs Toyota that it must stop selling the affected vehicles if they find a defect. Sales halt the next day, and Toyota soon recalls 1.1 million more vehicles.

eration because it happens near idle speeds. Toyota says it's looking into other potential causes.

Toyota is still very much run by its Japan headquarters, despite being active in the U.S. since 1957. Top leadership doesn't include U.S. executives. The Toyota officials who run the recall process are in Japan.

For reasons like these, Toyota often reacted relatively slowly to safety issues raised by NHTSA, according to three people familiar with Toyota's inner workings.

"What has really happened is a breakdown in communications within Toyota" between its D.C. office and Japan headquarters, said one of these people. "The Washington office didn't have the information it needed to provide to the government."

In August 2009, another fatal accident in the U.S. put the problem in the spotlight. Mark Saylor, a California Highway Patrol officer, was driving a Lexus ES350 near San Diego when it accelerated to more than 100 mph. As the car careened out of control, one occupant called 911 to report the emergency. The call ended when the car crashed.

Everyone in the car died, including Mr. Saylor, his wife, daughter and brother-in-law. A tape of the 911 call drew attention to the acceleration issue.

The Lexus, a loaner from a dealer that Mr. Saylor was driving while his car was being serviced, did have the all-weather mats. And a previous driver of the loaner had told the dealer the mat had hit the pedal.

At NHTSA, patience was wearing thin. Its deputy, Ronald Medford, summoned Toyota officials to a Sept. 25 meeting in Washington, and told them they needed to act faster to more fully resolve the mat problem. Replacing mats wasn't enough, he said. Toyota also had to alter its gas pedals to make sure they couldn't get caught on mats.

On Oct. 5, Toyota recalled 3.8 million vehicles to fix the floor-mat issue, its largest ever recall. But tensions kept rising. On Nov. 3, Toyota put out a statement saying NHTSA had concluded that "no defect exists" in the recalled vehicles. A day later, in an unusually public rebuke, NHTSA released its own statement calling Toyota's "inaccurate and misleading."

Around the same time, the two were at odds again over a completely different issue. Toyota recalled Tundra pickup trucks for a corrosion problem that could lead to the spare tire falling off. But the recall hadn't come as quickly as NHTSA wanted, according to people familiar with the matter. Toyota had also been reluctant to include corrosion issues affecting the fuel tank, one person said.

On Jan. 8, Toyota amended its original recall to include the fuel-tank corrosion issue. In a letter to NHTSA. it stressed that it didn't consider the issue "a safety related defect."

Amid the clashes, NHTSA's Mr. Medford and other officials flew to Japan. On Dec. 15 they stood before about 100 Toyota executives and engineers and explained Toyota's obligation to comply with the U.S.'s defect-recall process, a Transportation Department official said.

Later, Mr. Medford met with a smaller group of Toyota executives. According to the official, Mr. Medford told them bluntly: Toyota was taking too long to respond to safety issues. He reminded them that Toyota is obligated under U.S. law to find and report defects promptly.

Mr. Sasaki, Toyota's quality chief, said the meeting included a "debate" in which NHTSA objected to Toyota's view that users needed to install the mats properly. NHTSA's response, he said, was Toyota couldn't expect that from every consumer. "NHTSA people expressed disbelief over Toyota's view, and we received some harsh words from them," he said.

On Jan. 4, NHTSA's new chief, Mr. Strickland, was sworn in. His first crisis walked in the door Jan. 19, when two Toyota executives told him that Toyota's Japan headquarters had known there was a flaw in the pedals, according to a person familiar with the situation.

A few days later, Toyota had the details of a 2.3-millon-vehicle recall worked out. But there was a hitch: Toyota didn't have enough parts in hand to make repairs immediately.

At times, NHTSA gives car makers extra time to get replacement parts ready before recall notices go out. This time, it was too late. And regulators told Toyota it would have to stop selling cars. On Jan. 26, that's what Toyota did.

WSJ.com

Question of the day: Do you believe Toyota's gas pedal fix will solve the problem? Weigh in at **WSJ.com/Question**. Plus, review the affected models, see a timeline of U.S. auto recalls, and watch a video about the demise of the fix-it-yourself car at **WSJ.com/Business**

FROM PAGE ONE

China indicts four Rio Tinto executives

Continued from first page
lian citizen, and trying to avoid disrupting wider relations with an increasingly important trading partner.

Few Chinese prosecutions end in acquittal, especially in such high-profile cases. While a guilty verdict would likely inflame tensions, it could also mean a quick end to legal process, allowing diplomats to get involved, for instance, in requesting Mr. Hu be remanded to Australia.

News that China intends to press on with the case comes amid broader concerns from foreign executives that the investment climate in China is souring.

The Rio case in particular has worried the international business community because it broke amid tense relations between Rio and Chinese government-owned companies. China, Rio's largest customer for iron ore, complained among other things that Rio and others charged too much for iron ore. China imported ore valued at $50.14 billion in 2009, second among imports to the $89 billion spent on crude oil.

Some foreign companies are now recalculating the risks of doing business in China. Last month, **Google** Inc. threatened to walk away from the market after alleging that sophisticated efforts to break into its email system, as well as the Internet infrastructure of more than 20 other U.S. companies, originated in China.

This month, China threatened to retaliate against American companies that were part of a $6.4 billion U.S. government arms sale to Taiwan, adding a commercial dimension to a longstanding political wrangle with Washington over the island, which Beijing views as a renegade province. Among the companies is **Boeing**, which sold some $8 billion of commercial aircraft to China from 2006 to 2008, the latest years available.

The Rio case has raised a personal nervousness among some foreign business executives.

Some foreign companies are asking for waivers for employees before opening negotiations with China.

Some foreign mining companies are now asking for waivers before opening commercial negotiations with China that will exempt their executives from any criminal prosecution stemming from performing their job duties, say people familiar with the companies. It is unclear how Chinese companies would be able to deliver such guarantees, even if they are in the state sector, given that they do not control the courts.

The indictments came as a surprise to the defendants' attorneys. Mr. Ge's lawyer, Zhai Jian, said he had no indication that action was pending when he met earlier Wednesday with his jailed client, who the lawyer said appeared well physically and mentally. "I am especially puzzled," said Mr. Zhai, who heard about the indictments from news reports. "Why is it that every time the media is telling me these things?"

Chinese officials initially detained Mr. Hu and his team on suspicion that they had violated national security, which could have led to even more serious charges. They have since said that the commercial crimes they are accused of would have been considered by Australia to be illegal if they took place there.

Rio Tinto, meanwhile, has continued to post strong financial results in China, illustrating that the case hasn't fundamentally hurt its business.

The company has also taken steps to improve its relations in China. Last week, it tapped a longtime employee who opened the company's first China office 25 years ago and speaks fluent Mandarin, Ian Bauert, to fill the newly created position of managing director for China. "Ian's experience and leadership will provide strategic direction and help guide all aspects of our engagement with China, one of our most important partners," Rio Tinto Chief Executive Officer Tom Albanese said in a statement.

—Liu Li, Iain McDonald, Shai Oster and Robert Guy Matthews contributed to this article.

Associated Press

People in New Delhi, India, stand in line earlier this month to receive free food. Prices for rice, sugar, milk, and in some places, fruits, vegetables and cooking oils, have risen in recent months.

Asia's rising food costs are driving its inflation

Continued from first page
tons of rice from abroad. As it ramped up purchases, prices at government-run auctions went from $480 a metric ton in early November to as high as $689 in mid-December, according to the National Food Authority.

Food prices in Asia make up a greater portion of consumer spending than in other parts of the world. In developing Asia, food makes up 34.5% of consumer prices, according to HSBC economists, compared with about 15% in the U.S.

In some countries such as India and Vietnam, the cost of rice alone has a bigger impact on inflation levels than energy costs. A 20% increase in rice prices regionally adds 1.5 percentage points to inflation. A 50% jump adds 3.7 percentage points, according to HSBC.

Over the short term, policy makers are counting on a good growing season this year to swell supply and keep prices stable. Early signs are promising.

"The March-April crop is more or less in the bag," says Chetan Ahya, economist at Morgan Stanley in Singapore. He predicts inflation across the region will continue to accelerate for a few more months before leveling. The real test will come with the larger autumn harvest, he says.

In Indonesia, food prices in January rose 3.72% from a year earlier, a faster pace of inflation than the 2.78% rate recorded in December. Indonesia's central bank kept its benchmark interest rate steady last week, saying the recent jump in the level of inflation was "temporary," driven by prices of food, especially rice, and that the coming rice harvest will increase supply.

Some forecasters say the El Niño phenomenon behind last year's extreme weather could fade by the summer.

India has held off from importing rice—a move that would have sent prices on the international market even higher. A weak global economy also limits demand for biofuels, taking pressure off crops such as corn, which is used to make ethanol.

Asian governments, including India, have stockpiled reserves of rice and wheat.

A crisis, however, can't be ruled out. Another dry monsoon season would pose serious problems for India.

World-wide demand for cereals remains precariously close to overall production levels, according to the United Nation's Food and Agriculture Organization.

"My fundamental belief is that we are in short supply," says Jeremy Zwinger, chief executive of the Rice Trader Inc., an industry research and news service.

An unexpected bad harvest could cause governments to react by hoarding food and blocking exports, sending prices skyrocketing.

As of 11 a.m. ET **Euro** 1.3698 ▼ 0.27% **Yen/US$** ¥89.84 ▲ 0.49% **Yen/A$** ¥78.40 ▲ 0.50% **Oil** 72.96 ▼ 1.07% **Gold** 1067.50 ▼ 0.85% **10-year Treasury** unch. yield 3.639% **3-month Libor** 0.25000

Profits at steel, mining giants rise on an increase in prices
BUSINESS & FINANCE 18

This is no time for Baidu to bask in recent success
HEARD ON THE STREET 32

BUSINESS & FINANCE.

Thursday, February 11, 2010 THE WALL STREET JOURNAL. asia.WSJ.com

Taiwan tech gains China access

Taipei lowers barriers to investment and business in mainland for companies making flat panels, computer chips

TAIPEI—Taiwan Wednesday said it will lower investment barriers for its flat-panel and electronic chip makers to do business in China, making the pillars of its technology industry the latest to benefit from tighter economic ties between the mainland and the island it considers a breakaway province.

*By **Jessie Ho**, **Alex Pevzner** And **Crystal Hsu***

Loosening ties in both industries could help them become more competitive and open new investment opportunities. Under the administration of President Ma Ying-jeou, Taiwan has dismantled some major barriers separating the two sides of the Taiwan strait, cheering businesses hoping to take advantage of the mainland's vast amounts of capital, cheap manufacturing base and surging consumer market.

Still, the moves carry political risk in Taiwan, where some lawmakers remain leery of mainland investment.

Taiwan's liquid-crystal display and chip makers have been operating at a disadvantage to rivals in the U.S., South Korea and Japan, which benefit from the mainland's lower costs and strong domestic market.

Currently, Taiwanese flat-panel makers are allowed to only assemble panels in China, using components made elsewhere, because of fears that China would erode the island's technological edge if the more advanced and capital-intensive businesses shifted there from Taiwan.

"The relaxation will help companies stay competitive and expand in China and global markets," Minister

Please turn to page 20

Reuters

Taiwan's Minister of Economic Affairs Shih Yen-Shiang said technology firms could gain greater access to China.

Baidu net rises 48%; ad system rolled out

By Aaron Back And Jay Miller

Baidu Inc.'s fourth-quarter earnings rose 48%, and the company, which dominates China's Internet search market and is in a position to further increase its market share if **Google** Inc. leaves China, provided an upbeat outlook.

The company is in a position to further increase its market share if its main rival, Google, decides to leave China as a result of concerns over hacking and censorship.

Baidu suggested it has turned a corner in the transition to a new advertising system, saying the switch has gone more smoothly than expected. The company provided a first-quarter revenue projection of $176 million to $181 million.

During a conference call with analysts, Baidu Senior Vice President Haoyu Shen said the company hadn't yet seen any positive revenue impact from the possible exit of its main rival Google from China. But Baidu executives hinted that they do see longer-term benefits from Google's conflict with Beijing, and its threat to leave China as a result of concerns over hacking and censorship.

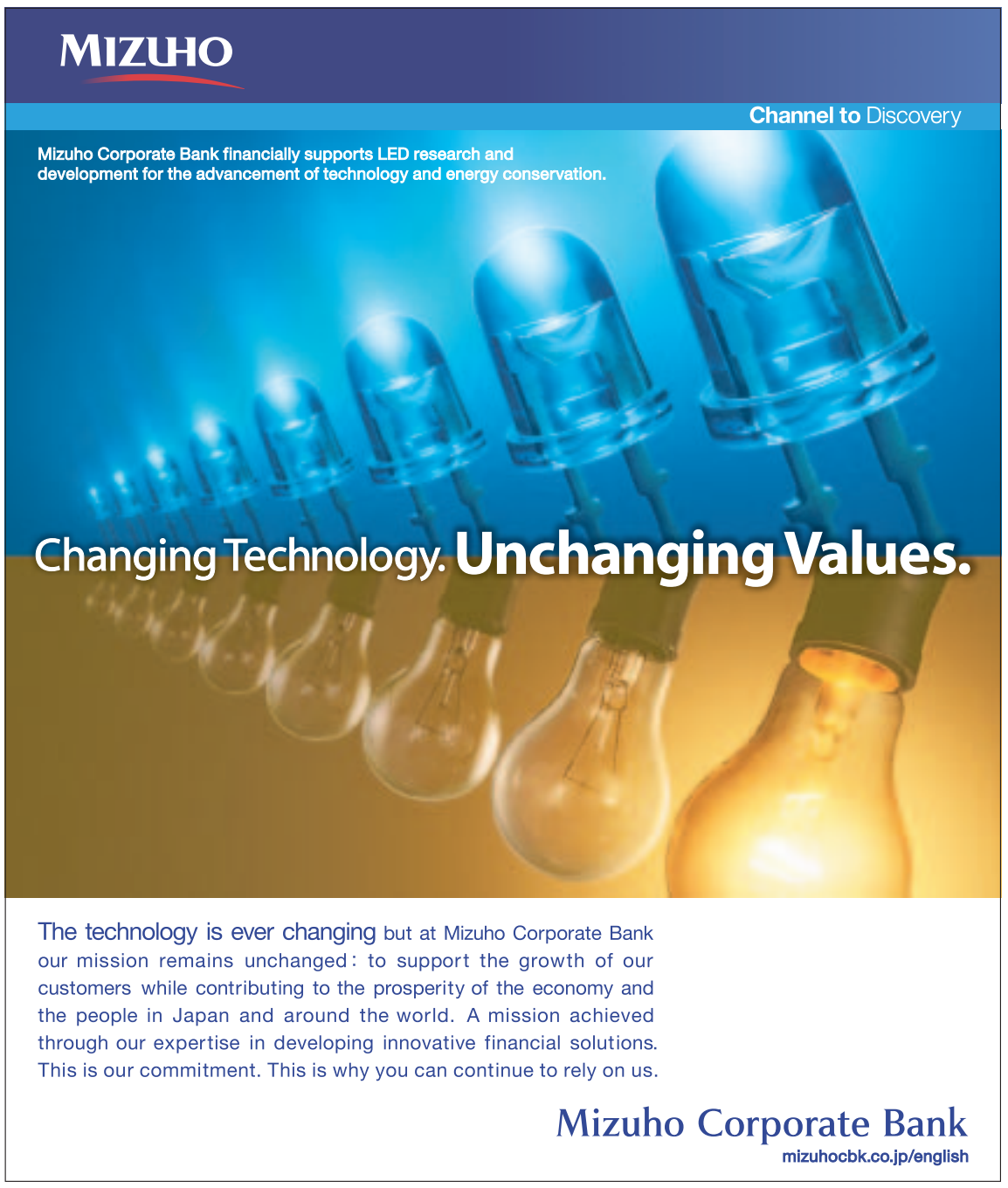
Also Wednesday, Baidu announced a partnership with **Motorola** Inc. that would allow customers in China with Motorola phones running Google's Android operating system to use Baidu or other rivals as their default search services.

Last month, Google delayed the China launch of Android handsets with Motorola and **Samsung Electronics** Co. because they contained Google features that face an uncertain fate in China given the company's conflict with the government. Shortly afterward, Motorola said Chinese users could use Baidu instead of Google on Android phones.

During the conference call, Mr. Li also outlined his view of Chinese Internet censorship. "We do realize that sometimes the government may run certain campaigns to clean up the Internet landscape, and some Web sites could be shut down here and there. We just need to bear with that. I think, overall, the government understands that the Internet is good for Chinese society and the Chinese economy," he said.

Baidu has been aggressive in rolling out a new advertising system dubbed Phoenix Nest, and many have wondered if the company has pushed too hard with the system. "The year ended on a positive note as Phoenix Nest's better-than-anticipated performance helped us to exceed expectations for the fourth quarter," Mr. Li said.

Baidu reported earnings of 427.9 million yuan ($62.7 million), or 12.27 yuan ($1.80) per American depositary share, compared with 288.7 million yuan a year earlier. Revenue surged 40% to 1.26 billion yuan.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Mizuho Corporate Bank financially supports LED research and development for the advancement of technology and energy conservation.
Changing Technology. Unchanging Values.
The technology is ever changing but at Mizuho Corporate Bank our mission remains unchanged: to support the growth of our customers while contributing to the prosperity of the economy and the people in Japan and around the world. A mission achieved through our expertise in developing innovative financial solutions. This is our commitment. This is why you can continue to rely on us.
Mizuho Corporate Bank
mizuhocbk.co.jp/english

Rising prices lift mining, steel

ArcelorMittal, BHP Billiton report profits as increased demand helps raise costs for raw materials

By Robert Guy Matthews

Higher raw-material and metal prices are helping to lift earnings this year at the world's biggest steel and mining companies.

On Wednesday, the world's largest steelmaker, **ArcelorMittal**, reported a fourth-quarter profit of $1.07 billion because of strong steel demand in emerging countries and signs of a resurgence of steel buying in Europe and the U.S. The company said it expects steel demand to get stronger globally in 2010, including sales to the automobile industry and most markets in China.

"Today, export prices are higher already, and going forward, steel prices should still be higher," ArcelorMittal Chief Executive Lakshmi Mittal said in an interview.

BHP Billiton, meanwhile, said earnings more than doubled for the six months ended Dec. 31, and results this week at **Rio Tinto**, the world's third-largest miner, are also expected to show the benefit of higher steel and iron-ore prices.

Over the last few months, demand for minerals and metals has risen because of the continued strength in China's economy and slow recoveries in the U.S. and Europe. The price of ingredients to make steel—iron ore and coal—are rising sharply. Spot prices for iron ore and coking coal are expected to increase between 30% and 40% in 2010, which is boosting the fortunes of Rio Tinto and BHP.

Prices for annual contracts between miners and steelmakers are currently being negotiated but are expected to rise as much as 40%. A contract is expected by April.

Steel prices have risen between 10% and 30% in the fourth quarter and through the end of January, depending on the metal and location.

The prices of steel are expected to continue to rise because so much production capacity was taken out in 2009, resulting in a weak supply-to-demand ratio. The rising prices are prompting big steel users, such as **Ford Motor** Co. and **Whirlpool** Corp., to forecast higher materials costs this year. Those costs could trickle down to consumers.

"I think we are going to start seeing commodities start moving in the wrong direction in the next few months," Lewis Booth, Ford's chief financial officer, said at the International Auto Show last month.

Agence France-Presse/Getty Images

Price increases are lifting profits for miners and steelmakers. Above, a Rio Tinto mine in Western Australia.

ArcelorMittal posted a fourth-quarter profit of $1.07 billion, compared with a net loss of $2.63 billion in the same period a year earlier. The figure beat analysts' expectations of a $578 million net profit, according to a poll of 12 analysts, due in part to a $1.29 billion tax benefit and $1.14 billion of income from stakes in other companies. Revenue fell 16% to $18.64 billion.

BHP Billiton said profit for the six months ended Dec. 31 was $6.14 billion, up from $2.62 billion a year ago. Revenue fell 17% to $24.58 billion. Still, BHP said it was cautious about the global recovery.

Most major brokerages have raised their stock ratings for BHP and Rio based on increasing metal and mineral prices.

"If you are an iron-ore producer, you should be pretty comfortable this year," said Gavin Wood, an analyst at Nomura International PLC.

Last month, BHP gave its most positive outlook for commodities since the economic downturn, with iron ore a major component of its improved outlook. "During the December quarter, we saw strong price recovery driven by demand in China and restocking in the developed world," the company told investors in its latest report in January.

For the most part, steelmakers are expected to pass on higher iron-ore and coal costs to consumers, including appliance and auto makers. Some steelmakers, notably ArcelorMittal, **U.S. Steel** Corp. and Russian steelmakers, own their own iron ore and coal reserves.

ArcelorMittal's iron-ore mines can supply about half of its needs, while it can produce about 15% of its coal requirements. As a result, its costs will fall relative to those of other steelmakers. But ArcelorMittal will sell its steel at about the same price, resulting in higher profit margins. "The future is looking more positive for ArcelorMittal. It will earn extra margin," said Thorsten Zimmermann, a metals analyst for HSBC Bank PLC.

While Mr. Mittal said the industry isn't fully recovered from last year, the company is expecting its plants to be at a capacity-utilization rate of about 72% in the first quarter, higher than last year's, which ranged between 50% and 60%.

It also is turning on blast furnaces, the huge heating machines that make steel, in the U.S. and elsewhere. The company expects more than 20 of its 25 blast furnaces to be operating in 2010, compared with a low point of 10 last year. Costs will increase, reflecting higher prices for iron ore and coal, as well as expenses tied to restarting mills.

Large steel buyers aren't hitting the panic button because they typically buy steel on long-term contracts that keep prices stable. Whirlpool, for instance, said steel is one of its biggest purchases.

"In the big markets like Europe and North America, we do have agreements within ranges, so I think our steel is pretty predictable, at least in the big markets," said Whirlpool Chief Executive Jeff Fettig. "In the emerging market, that's always open to discussion."

Cummins Inc. is trying to mitigate the higher costs. "I think on metal markets we would see costs going against us, but the material people have been doing it on value engineering, low-cost country sourcing, ongoing price negotiations," Chief Financial Officer Pat Ward told investors earlier this month.

INDEX TO BUSINESSES AND PEOPLE

Businesses

This index of businesses mentioned in today's issue of The Wall Street Journal is intended to include all significant reference to companies. First reference to the companies appears in bold face type in all articles except those on page one and the editorial pages.

Activision Blizzard....22
Air France-KLM....21
Alibaba....32
American Airlines....21
American Express....23
AMP....19
AngloGold Ashanti....25
Anheuser-Busch....20
ArcelorMittal....18
AU Optronics....20
AXA Asia Pacific Holdings....19
AXA....19
Baidu....17, 32
Baidu.com....27
Bank of America....23, 27
Bank of China....24
Bank of Communications....24
BHP Billiton....3, 18, 27, 32
Boral....27
British Airways....21
Carlyle Group....24
China Central Television....3
China Construction Bank....24
China Grill....8
China Power International Holding....19
China Shipping Container Lines....27
Coca-Cola....21
Commonwealth Bank of Australia....24, 27
Continental Airlines....21
Cummins....18
Dean Foods....27
Delta Air Lines....21
Dharma Productions....6
Electronic Arts....22
Elite Concepts....8
Faurecia....20
Federal Reserve....9
Fook Lam Moon....8
Ford Motor....18
GameStop....22
Goldman Sachs Group....23
Google....17, 32
HeJian Technology (Suzhou)....20
Honda Motor....27
Hynix Semiconductor....19
Inpex....27
Japan Airlines....21
Jiangxi Copper....27
J.P. Morgan Chase....23, 27
Kirin Holdings....20
Korea Line....27
Kyowa Hakko Kogyo....20
Macquarie Group....1
Micron Technology....19
Microsoft....22
Mitsubishi Motors....20
Mitsui O.S.K. Lines....27
Morgan Stanley....16, 23
Motorola....17
National Australia Bank....19, 27
National Foods....20
New Castle Partners....25
Newcrest Mining....27
Nintendo....22
Nippon Yusen....27
Nissan Motor....32
Numonyx Holdings....19
Park Hyatt....8
Paulson & Co....25
Peninsula Hotel....8
PepsiCo....21
Peugeot-Citroën....20
Rakuten....32
Resourcehouse....19
Rio Tinto....1, 18, 27
Samsung Electronics....17, 19, 32
Semiconductor Manufacturing International....20
Shanghai Watch....9
Sharp....32
Shringar Films....6
Sina....32
Sohu....32
Sony....22
Sprint Nextel....27
Square Enix Holdings....22
STMicroelectronics....19
Suntory Holdings....20
Taiwan Semiconductor Manufacturing....20
Take-Two Interactive Software....22
Temasek Holdings....24
Tencent....32
Toshiba....32
Toyota....14, 20, 32
TPG Capital....24
United Airlines....21
United Microelectronics....20
Universal Music Group....20
U.S. Steel....18
Volkswagen....20
Walt Disney....27
Whirlpool....18
Yi Long Court....8

People

This index lists the names of businesspeople and government regulators who receive significant mention in Today's Journal.

Ahmad, Nasser....24
Bartel, Tony....22
Bernanke, Ben....5
Booth, Lewis....18
Brodsky, Reed....25
Chadha, Radha....9
Chan, Carson....9
Chiesi, Danielle....25
Ho Ching....24
Chui, Michelle....8
Dille, Peter....22
Divnich, Jesse....22
Fettig, Jeff....18
Giroud, Eric....9
Gorman, James....23
Grainge, Lucian....20
Greenspan, Alan....9
Hongren, Yung....9
Hsiao, Yawen....20
Hua, Simon....24
Hu, Stern....1
Iger, Robert....21
Jenkins, Darryl....21
Kato, Kazuyasu....20
Kloppers, Marius....3, 32
Lancz, Alan....27
Lee Min-hee....19
Levine, Michael....23
Li, Robin....17
Li, Sarah....8
Lu, Adam....8
Lui, Margaret....24
Mack, John....23
Mann, Robert....21
Mittal, Lakshmi....18
Miyake, Senji....20
Norris, Ralph....24
Ong, Charles....24
Pachter, Michael....22
Palmer, Clive....19
Paulson, John....25
Piguet, Audemars....9
Rajaratnam, Raj....25
Rakoff, Jed....25
Rasulo, Jay....21
Riccitiello, John....22
Ross, Rich....21
Rupkey, Chris....26
Shen, Haoyu....17
Shen, Minggao....3
Shimominami, Masashi....27
Soros, George....9
Streeter, Jonathan....25
Takahashi, Yukio....27
Thomas, John....21
Tzeng, J.H....20
Varin, Philippe....20
Ward, Pat....18
Wu, Carolyn....17
Song Seng Wun....24
Xu Jian....3
Xu Wei....3
Yiren, Rong....9
Yung, Leonora....9
Zelnick, Strauss....22
Zhao Huayong....3
Zhao Yazhou....19
Zook, Christopher....25

Agence France-Presse/Getty Images

Clive Palmer, chairman of Resourcehouse Ltd., speaks during a news conference Wednesday in Perth regarding his multi-billion dollar coal deal with China.

Palmer says coal deal is set

Resourcehouse insists terms of supply contract with Chinese power company are binding

By Stephen Bell

PERTH—Seeking to quell uncertainly over a key sales agreement, Australian resources developer and billionaire Clive Palmer insisted Wednesday he has signed binding coal sales deals with Chinese companies for output from a proposed US$8 billion coal project.

Uncertainty has swirled around the status of a coal sales deal struck between Mr. Palmer's closely held **Resourcehouse** Ltd. and state-owned **China Power International Holding** Ltd. for the purchase of 30 million metric tons of coal a year from the China First project in Queensland state.

Resourcehouse said Tuesday it misidentified its Chinese partner in a weekend announcement unveiling the deal, saying it was with China Power's listed unit, China Power International Development Ltd.

Since then, scrutiny has followed other parts of the deal, particularly the terms between Resourcehouse and China Power.

At a news conference in Perth, Mr. Palmer said that some details of a coal sales agreement unveiled last weekend are yet to be finalized, such as shipping terms and costs related to shipping and port delays in Queensland state.

But Resourcehouse has a "binding" contract with the Chinese companies involved in the proposed coal development, he said, including a deal with China Power over the volumes and term of a coal sale agreement. Price isn't specified in the contract, only a mechanism that will see Resourcehouse and China Power review prices annually with reference to international benchmarks, he said.

Resourcehouse has said previously the deal is for a 20-year supply of coal at a price linked to the seaborne market for 30 million metric tons per year.

A statement Tuesday from China Power International Holding referring to a "framework" agreement.

Company Vice President Zhao Yazhou said the two companies are still working on a final contract that will take some time to complete.

Mr. Palmer said the title of the agreement has "no legal impact whatsoever."

"It is the terms and conditions of the contract that make it binding," he said.

Market watchers are now pondering whether the confusion over the coal sales deal will have an impact on a planned US$3 billion float of Resourcehouse in Hong Kong.

Mr. Palmer played down a Hong Kong listing of Resourcehouse any time soon, saying an initial public offering hasn't yet been considered by the company's board.

People familiar with the situation have said the IPO was due to take place last year but was delayed to allow the submission of more information, and had subsequently been planned for March.

Mr. Palmer said he had not announced any IPO and that there was no current proposal before the stock exchange in Hong Kong.

"We've never made an announcement, we've never said that we intend to list this year, next year or whatever as far as Resourcehouse goes," he said.

A decision to proceed with an IPO would be up to the company's board, and "we haven't discussed that yet," he said.

The Queensland coal deal is the latest diversification for Mr. Palmer, who mainly has dealt in iron ore.

—Alex Wilson contributed to this article.

Regulator focuses on NAB's bid for AXA

By Bill Lindsay

SYDNEY—Australia's competition regulator Wednesday indicated it is more concerned by the impact of **National Australia Bank** Ltd.'s proposed US$11.68 billion buyout of wealth-protection firm **AXA Asia Pacific Holdings** Ltd. than it is by a rival bid from wealth manager **AMP** Ltd.

The two financial-services heavyweights are locked in a battle for AXA Asia Pacific, a unit of French insurer **AXA** SA that is controlled by independent directors. NAB in December trumped a revised cash-and-share offer from AMP with a bid that gives all minority shareholders the option of trading each of their shares for 6.43 Australian dollars (US$5.64) cash.

The Australian Competition and Consumer Commission said a NAB takeover of AXA Asia Pacific "raises a higher level of concern" over concentrated ownership of retail-investment platforms that are used to distribute financial products. The ACCC said it is also looking at whether a purchase of AXA could make it harder for regional banks to compete.

The regulator said a takeover by either party would concentrate the market for financial planning and advice and potentially hurt competition, but is unlikely to pose concerns in pension or life-insurance markets.

It will also consider how likely it is that a stand-alone AMP would remain an effective competitor, whether it could become a takeover target itself, and whether it could become a "fifth-pillar" in financial services alongside the four major Australian banks, if its bid succeeds.

A spokeswoman for AMP said the firm is reviewing the ACCC's statement. A spokesman for NAB said the bank is "having a look at it," and a spokeswoman for AXA Asia Pacific didn't return calls.

The ACCC expects to take up to five more weeks to decide on whether to allow either deal.

NAB has won the support of its target firm and now is trying to secure the backing of AXA Asia Pacific's French parent, whose agreement to deal exclusively with AMP expired Saturday. Despite declaring its snubbed bid final, AMP has said it is keeping its options open and hasn't thrown in the towel.

Both bids are contingent on AXA SA buying the Asian operations of its 54%-owned affiliate and leaving its Australian and New Zealand units to the successful local bidder.

The ACCC, which had said it would report its findings on the AMP bid Wednesday, said it will instead call for further submissions on how both proposals will affect competition in the domestic wealth-management industry.

It hopes to make final decisions on both bids by March 17.

Micron deal pressures Samsung, Hynix

By Jung-Ah Lee

SEOUL—**Micron Technology** Inc.'s $1.27 billion acquisition of **Numonyx Holdings** BV will boost the U.S. chip maker's presence in the flash-memory chip market, creating a much stronger industry player, and threatens to take market share away from industry leader **Samsung Electronics** Co.

It could also pressure South Korea's **Hynix Semiconductor** Inc.—which has a strategic partnership with Numonyx in the development of flash memory—to look for another partner to remain competitive, analysts said.

"Since Micron is moving to step up efforts to strengthen its flash memory chip business through the acquisition and will become a bigger player, Samsung will have to look for ways to strengthen its competitiveness," said Lee Min-hee, an analyst at Dongbu Securities in Seoul.

Samsung, the world's biggest supplier of NAND flash memory by revenue, declined to comment on how the acquisition would impact its business. A Micron spokesman couldn't be reached.

Hynix on Wednesday didn't rule out the possibility that it could end its partnership with Numonyx. "We don't anticipate a significant impact even if the partnership ends," it said in a statement.

In August 2008, Numonyx and Hynix agreed to a five-year agreement to jointly develop NAND flash memory chips. Numonyx also has a 21% stake in Hynix's chip manufacturing facility in China.

Hynix also said in the statement that it is currently considering whether it should buy back the Numonyx stake, adding such a move could temporarily burden its financial position.

Samsung, Micron and Hynix all compete in the cutthroat market for personal computer memory chips, known as dynamic random access memory. They also compete in the market for flash memory chips, which store data in electronic devices even when power is switched off. The memory-chip market is characterized by sharp swings in supply and demand and erratic profitability. The deal comes just as chip makers globally are rebounding from a sharp decline in consumer spending, which has hurt profit and margins.

On Tuesday, Micron said it agreed to acquire Numonyx, a joint venture between European chip maker **STMicroelectronics** NV and Intel Corp. of the U.S. in an all-stock transaction. The acquisition allows Micron to gain access to Numonyx's strength in NOR flash memory chips, the chips used to store software in cellphones. Micron has a separate joint venture with Intel to manufacture NAND flash memory chips, which are widely used in music players and digital cameras.

Micron exited the NOR flash business in 2006, raising questions as to why it would purchase Numonyx, the world's biggest NOR flash memory chip maker by revenue. Analysts speculate that Micron wants to expand into the multi-chip package, or MCP, business.

Bloomberg News

Kirin and Suntory beers at a Tokyo stop. Kirin altered its management after the demise of a merger plan with Suntory.

Kirin alters management

Brewer posts 39% drop in profit, appoints new president, chairman

By Hiroyuki Kachi

TOKYO—**Kirin Holdings** Co. announced Wednesday changes in its senior management, days after walking away from merger talks with **Suntory Holdings** Ltd., as the company looks to improve its sales growth and widen its global reach through overseas alliances and acquisitions.

The Tokyo-based company said Vice President Senji Miyake, 62 years old, will become the company's president, pending board approval after a shareholders' meeting on March 26.

"We want to take our chances and grow through a strategy of M&A and business alliances," Mr. Miyake told reporters after the announcement.

The move comes after Kirin canceled merger talks with privately held Suntory on Monday, abandoning a plan to create a rival to the world's leading brewer, **Anheuser-Busch InBev** NV. The two Japanese companies have been pushing hard to increase their overseas presence in recent years, in the face of a sluggish domestic market that has been hurt by a shrinking population and a weak economy.

Kirin's current president, Kazuyasu Kato, who will become the company's chairman, said the management changes were unrelated to the failure of the Suntory merger talks.

Since taking the top job in 2006, Mr. Kato has orchestrated Kirin's push into overseas markets through acquisitions and buying stakes in a range of companies, including Australia's **National Foods** Ltd.

That has helped boost Kirin's ratio of overseas sales to about 26% currently from 18% in 2006. The company is aiming for a roughly 30% ratio by 2015, and Mr. Miyake said he will look to "speed up" the company's move in that direction.

Kirin said in its midterm business plan that it aims to become a leading food and beverage company in Asia and Oceania. Mr. Miyake said the company may emphasize growth in China and Southeast Asia, since its sales in those areas lag behind other regions, but he also didn't rule out the possibility of new alliances in the Japanese market.

Separately, Kirin reported Wednesday a net profit of 49.17 billion yen ($548.7 million) in the business year 2009, down 39% from a net profit of 80.18 billion yen a year earlier. The decline was somewhat exaggerated by a 72.6-billion-yen special profit in the year-earlier period related to the consolidation of its drug-making unit, **Kyowa Hakko Kogyo** Co.

Kirin's sales for the year declined 1.1% to 2.278 trillion yen from 2.304 trillion yen a year earlier, while operating profit fell 12% to 128.44 billion yen.

For the current year ending Dec. 31, Kirin predicts a 2.4% drop in net profit to 48 billion yen, a 3.6% gain in operating profit to 133 billion yen and a 2.5% decline in sales to 2.222 trillion yen.

The company compiles its earnings based on Japanese accounting standards.

Vivendi names Universal Music CEO

By Max Colchester

PARIS—Music-industry veteran Lucian Grainge has been appointed chief executive of Universal Music Group, as the world's largest record company battles a decline in compact-disc sales and rising levels of Internet piracy.

In the widely expected move, Mr. Grainge, 49 years old, will be named Universal Music Group co-chief executive in July before taking full control in January 2011, according to a statement from Universal Music parent company **Vivendi** SA. He will replace Universal Music's long-serving chairman and CEO Doug Morris. Mr. Morris will remain on at the company as chairman, Vivendi said.

"My priority is to maintain the balance between creativity and profitability," Mr. Grainge said in an interview. "Our future is about building scale with new business partners and new business models."

As people flock online to acquire music, Universal Music has tried to compensate for falling CD sales by diversifying its business in order to tap into other revenue streams such as merchandising and advertising. As part of this strategy, Universal Music and **Google** Inc.'s YouTube launched a new online music-video Web site in December called Vevo, which allows customers to view music videos free. Universal Music hopes to generate revenue by attracting advertisers to the Web site. However the strategy has yet to pay off. In the first nine months of 2009 Universal Music's sales fell 5.2% to €2.97 billion ($4.09 billion).

Mr. Grainge has worked at Universal Music for over a decade and currently handles all of the company's business outside of the U.S. He started his career in the late 1970s as a talent scout before joining PolyGram Music Publishing U.K. in 1986. He was subsequently appointed head of Universal Music's U.K. operations before being promoted to chairman and CEO of Universal Music's international business

Universal Music's online music sales have taken off more slowly than hoped. Mr. Grainge said that there is no single solution to the problem as each country has its own culture of buying music online. To make music available to a wider digital audience Mr. Grainge has negotiated a series of partnership agreements between Universal Music and companies such as mobile-phone provider Vodafone Group PLC.

To combat illegal downloading of music, Mr. Grainge says he supports an anti-Internet piracy law passed in France stipulating that offenders have their Internet connections cut off after receiving two warnings.

"I am a fan of tasty carrots and big sticks," Mr. Grainge said. "Music downloading has to be legal. It is as simple as that."

Peugeot's net loss widens as sales ebb

By David Pearson

PARIS—French auto maker PSA **Peugeot-Citroën** posted a wider net loss for 2009, as sales weakened in key markets. But the company said it expects to return to an operating profit in the first half of 2010 thanks to a revival in demand and better performances by subsidiaries.

The net loss came to €1.16 billion ($1.6 billion) last year from €363 million in 2008. Revenue fell 11% to €48.42 billion, from €54.36 billion in 2008, as global car sales slipped 2.2% to 3.2 million vehicles.

The auto maker—France's largest by sales and Europe's second-largest after **Volkswagen** AG of Germany—said in November it aimed to raise profitability by €3.3 billion between 2010 and 2012 through cost cuts and productivity gains at its automobile division. Peugeot-Citroën also plans improvements at financing arm Banque PSA, logistics business Gefco and auto-parts maker **Faurecia** SA, in which it holds a 57.4% stake.

European car markets improved during the latter part of 2009 amid scrapping initiatives and other government help, and Peugeot-Citroën's earnings were boosted by increased production in the latest quarter. However, Peugeot-Citroën expects European auto sales to shrink 9% in 2010 as supports are withdrawn.

One of Peugeot-Citroën's biggest challenges is to expand in Asia, Chief Executive Philippe Varin told reporters. He said discussions were continuing with **Mitsubishi Motors** Co. of Japan about deepening existing cooperation efforts. Mr. Varinadded that Peugeot-Citroën also is looking for cooperation partners in China to boost its presence there.

On Feb. 1, Peugeot-Citroën recalled a total of 97,000 Peugeot 107 and Citroën C1 subcompact cars, as they were made at a plant in the Czech Republic that the company shares with **Toyota Motor** Corp. But Mr. Varin said the cost of recalling the cars would be less than €10 million ($13.8 million), and that the recall wouldn't hurt earnings.

Taiwan eases investment by tech firms in China

Continued from page 17

of Economic Affairs Shih Yen-Shiang said Wednesday.

The move opens the flat-panel industry to make big-screen televisions, larger computer monitors and other popular consumer electronics in China. Under details outlined Wednesday, flat-panel makers will now be able to invest and set up an unlimited number of factories that manufacture what's known as fifth generation or lower LCD plants. Fifth-generation plants are equipped to make smaller panels used in computer monitors and cellphones, while higher-generation plants produce bigger panels for products such as TVs.

If flat-panel makers want to set up more-advanced plants, the technology used in China must be less advanced than what the company makes in Taiwan, the ministry said. Taiwan will limit the number of more-advanced LCD plants in China to three.

Yawen Hsiao, a spokeswoman for **AU Optronics** Corp., the world's No. 3 flat-panel maker by revenue after South Korea's Samsung Electronics Co. and LG Display Co., said the company will apply as soon as possible to build what is known as a 7.5-generation plant in China. Such plants can churn out 40-inch LCD panels.

"A 7.5-G plant will bring more competitiveness to us in serving customers," Ms. Hsiao said. AUO's most advanced facility in Taiwan is an 8.5-generation plant that can produce 50-inch class LCDs.

Taiwan's contract chip makers will be allowed to increase investment in China peers, though they are still limited to setting up a total of three less-advanced chip plants in China. The Chinese plants should use technologies that lag behind those used in Taiwan by two generations, Mr. Shih said.

Taiwan Semiconductor Manufacturing Co., the world's largest contract chip maker by a number of measures, said Wednesday it will upgrade the process technology at its plant in Shanghai and will also apply to buy the 10% stake offered by China's **Semiconductor Manufacturing International** Corp. as part of a legal settlement, said company spokesman J.H. Tzeng.

United Microelectronics Corp. will be able to acquire the remaining 85% stake it doesn't already own in China-based chip maker **He-Jian Technology (Suzhou)** Co., a UMC spokesman said Wednesday. The company has filed an application to acquire the 85% stake and will await the government's approval, he said.

The government also opened investment in China for the wind power and solar energy sectors, and for telecom firms that lease network capacity from other carriers.

A top Taiwanese financial official also said the island's cabinet is likely to allow Chinese brokerage firms and insurance companies to invest in Taiwanese financial firms. However, Chinese banks will continue to be banned from investing in the island's banks for now, Financial Supervisory Commission Chairman Sean Chen said Wednesday.

A move to open up Taiwan's brokerage and insurance sector to Chinese investment could help the island's fragmented financial sector to consolidate. Taiwan's cabinet is currently discussing cross-border investments by mainland Chinese financial firms into Taiwanese financial firms, Mr. Chen said.

"There should be no problem in allowing Chinese investments in Taiwan's securities houses and insurance firms," he said, but he added there's no timetable.

He said investments by Chinese banks in Taiwanese banks was a more complicated issue. That would be part of the broader bilateral Economic Cooperation Framework Agreement, a wide-ranging trade pact with China that Taiwan hopes to sign later this year.

CORPORATE NEWS

AMR takes aim at Delta

Expanded JAL pact helps American 'dodge bullet' in Pacific market

By Mike Esterl

The global race between the two largest U.S. airlines is tightening up yet again after **Delta Air Lines** Inc. had been threatening to leave **AMR** Corp.'s American Airlines in the dust.

Japan Airlines Corp. said Tuesday it will seek to expand its modest code-sharing alliance with American into a far-reaching joint venture and rejected a rival offer to team up with Delta, ending a fierce tug-of-war for Asia's largest carrier by traffic.

JAL's decision doesn't even the scales in Asia or globally after Delta acquired Northwest Airlines in late 2008 and leapfrogged American to become the dominant U.S. carrier. But it puts American in a position to narrow the gap and not fall off the map in the Pacific, the world's fastest-growing aviation market.

Atlanta-based Delta already boasts a market share of more than 20% on routes between North America and Japan, or about three times as much as American. If JAL teamed up with Delta, the two carriers would control more than half the flights into the world's second-largest economy. JAL also has an extensive network through other parts of Asia.

"It was a life-threatening moment" for American, said Robert Mann, an airline analyst in Port Washington, N.Y. "They have dodged the bullet."

Asia is ground zero for any airline with global growth aspirations. Last year, air travelers inside the Asian-Pacific region outnumbered those within North America for the first time, according to the International Air Transport Association. IATA estimates the number of Asian-Pacific passengers could increase by another third by 2013, outstripping growth rates in other parts of the world.

JAL decided to stick with AMR in part because the Japanese carrier didn't want to further complicate its restructuring after filing for bankruptcy protection last month. One other reason it chose the Fort Worth, Texas-based carrier after months of back and forth: Delta is already so big that JAL wasn't sure a joint venture would survive U.S. antitrust scrutiny.

A tentative "open skies" pact reached last December between the U.S. and Japan is set to ease flight restrictions in Japan, where Delta and **UAL** Corp.'s United Airlines currently enjoy special rights under a 1952 treaty. The new bilateral pact also allows U.S. and Japanese carriers for the first time to ink joint ventures enabling them to closely coordinate routes, schedules and ticket prices.

American said Tuesday it plans to submit such a joint venture application with JAL "in the coming days" to U.S. authorities. United Airlines and **Continental Airlines** Inc., the third- and fourth-largest U.S. carriers, respectively, already have applied with the Department of Transportation for a joint venture with **All Nippon Airways** Co., Japan's No. 2 airline.

Delta isn't going anywhere. In addition to a large hub at Tokyo's Narita International Airport, it carries more trans-Pacific traffic to other Asian countries than rival U.S. airlines through an extensive network it inherited from Northwest. Delta "had a lot to gain" by partnering with JAL, said John Thomas, head of the global aviation practice in Boston at L.E.K. Consulting. "By the same token, they didn't have really much to lose." Still, Delta could see its commanding market share among U.S. carriers slip in Japan and other parts of Asia as its rivals work more closely with Japanese partners.

Delta was sufficiently concerned about "open skies" that it lobbied against the pact on Capitol Hill last year, according to people familiar with the matter. Delta says it has always supported aviation accords that deepen competition. Top Delta executives also camped out for months in Tokyo and offered JAL $1 billion in incentives to try to win over the Japanese carrier.

Adding to the stakes, Japan plans to open up its domestic Haneda airport to more international flights this autumn. Haneda is much closer to downtown Tokyo than Narita airport, where Delta has its Japan hub, and Haneda slots are dominated by JAL and All Nippon. That could increase the importance of having a Japanese partner in the coming years.

In a statement Tuesday, Delta said it remains "well positioned" as the No. 1 U.S. carrier between the U.S. and Asia. Its customers "can continue to count on Delta for unmatched access to Japan," it added.

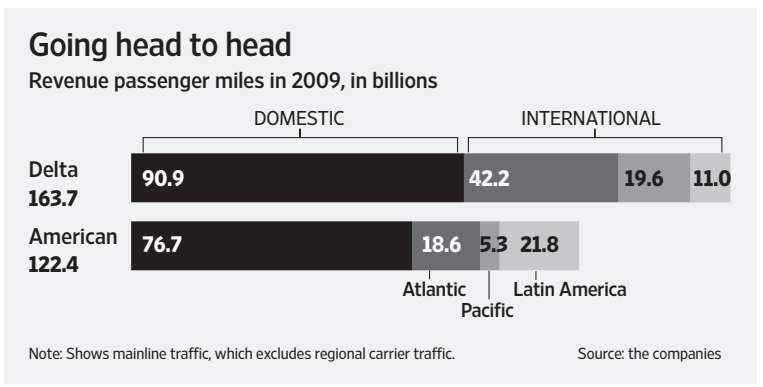
Despite losing its mantle to Delta as the largest U.S. carrier after three decades of being on top, American is still the dominant airline in Latin America. Its traffic in that region, another important growth market, was about double that of Delta last year.

Delta is more than twice as big as American in the trans-Atlantic market. But American could narrow the gap there, too, if it manages to secure U.S. antitrust approval for a joint venture with **British Airways**. Delta already enjoys a trans-Atlantic joint venture with **Air France-KLM**.

Regulators have twice rejected applications by American and British Airways in the past decade, amid concerns they would have too large a market share on key routes. But American executives say they are optimistic they will get the green light from the Transportation Department shortly.

Holding on to JAL was already an important step as American tries to match Delta's global reach, say industry analysts.

A defection to Delta by the Japanese carrier "would have been devastating" to American, said Darryl Jenkins, an airline analyst in Marshall, Va. With Japan Airlines on board, "they're still in the game," he added.



Pepsi, Coke back calorie labeling

By John Kell

The beverage industry unveiled new labeling plans that will move the calorie content to the front of their beverage containers by the end of 2012, as part of a wider initiative pushed by First Lady Michelle Obama.

PepsiCo Inc. and **Coca-Cola** Co. were among those to issue statements supporting the initiative, which will cover vending machines and fountain-drink equipment. Containers of as much as 20 ounces will be labeled with total calories, while multiserve-container labels will be based on 12-ounce servings.

Mrs. Obama's campaign is part of a government effort to reframe the debate about the nation's expanding waistline. The push comes after the U.S. obesity rate grew rapidly through the 1980s and 1990s, although figures released last month show the increase has slowed.

Several sectors of the food industry, including packaged-food makers and fast-food restaurants, have come under fire over the years regarding calorie counts and nutrition. A number of companies in recent years have moved to improve the nutritional content of their products, including reductions in sugar and salt content. Some cities and states have responded by requiring restaurants to post the calorie and fat content of their offerings.

The beverage industry is also committing to continue reducing the beverage calories in the marketplace, according to the American Beverage Association. That includes efforts to offer smaller portion sizes and further market low-calorie beverages. The industry is also looking at the feasibility of expanding the current information it offers on their nutrition-facts panels.

Pepsi's efforts have included calorie reductions, reformulations and smaller portion sizes for some of its products, such as its Frito-Lay snacks.

Coca-Cola, meanwhile, said its commitment builds on the leadership the company established in December, when it announced plans to provide front-of-package calorie labeling for nearly all products by 2012.

Cautious customers crimp Disney profit

By Ethan Smith

Neither a nascent recovery in cable-television advertising nor cost-cutting at its movie studio could boost Walt Disney Co.'s revenue or profits in the latest quarter.

Disney executives described advertisers and consumers alike as hesitant to pull the trigger on spending decisions.

"Advertisers and consumers are making their buying decisions at the last minute," said Jay Rasulo in his first conference call with stock analysts as chief financial officer. "We expect the operating environment to remain challenging." Mr. Rasulo previously was chairman of Disney's parks and resorts division.

For the three months ended Jan. 2, revenue edged up to $9.7 billion from $9.6 billion a year earlier.

Profit slipped to $844 million from $845 million. Per-share earnings came to 44 cents, versus 45 a year earlier.

ESPN contributed the biggest boost to Disney's television business, thanks to some hot contests in both professional and college football. The sports cable network also reaped increased affiliate revenues. However, Disney's ABC broadcast network saw lower advertising sales for the quarter. "Advertisers continue to make purchases very close to air date," said Disney Chief Executive Robert Iger.

Ongoing discounts at Disney's parks and resorts, often viewed as a bellwether for the broader economy, kept revenue flat at $2.7 billion, despite increased attendance. Executives said that tourists were delaying travel decisions. Mr. Iger said he expects the company to continue to rely on discounts to maintain attendance levels.

"We don't believe we're in an economy that allows us to shut off the discounting immediately," he said.

While revenue at Walt Disney Studios was flat, profitability was boosted by a recent move by studio head Rich Ross to create a unified structure to market and distribute movies for both theatrical and in-home viewing.

Associated Press

Disney profit and revenue were flat in the latest quarter, Above, headquarters.

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Electronic Arts

More than a dozen high-profile videogames are set to hit stores early this year as publishers target customers outside the crowded holiday season. Above, a screenshot of the first-person shooter game 'Battlefield: Bad Company 2,' which Electronic Arts will begin selling in March. Other titles slated for release are Square Enix's role-playing 'Final Fantasy XIII' and Sony's action adventure 'God of War III.'

Game makers push beyond holidays

Publishers plan slate of big releases early in year as they seek new windows to sell blockbusters

By Yukari Iwatani Kane

Videogame publishers are set to release more than a dozen major titles in coming months as the companies attempt to spark demand outside the crowded holiday season and reverse an industry-wide sales slump.

The big launches, twice as many as the first half of last year, come as publishers are spending more to develop potential blockbusters and jockeying with rivals for release dates, much like Hollywood studios. These high-profile games are increasingly important to game makers as they take years to create and can cost $20 million or more to produce, analysts say.

"There's no question that everyone tries to manage their release of a AAA title to not compete with someone else's AAA title," said Strauss Zelnick, chairman of **Take-Two Interactive Software** Inc., referring to the class of games that are considered top quality and have high development costs to match. \One such title, Take-Two's first-person shooter game "BioShock 2," was released Tuesday. Take-Two declined to say how much it cost to make the game, but analysts put the figure at $15 million to $20 million. The game was originally scheduled to debut late last year but Mr. Strauss said he's satisfied with a February launch.

"Because the cost of making games has more than doubled this cycle, the risk of failure is much greater, and the publishers are constantly looking for the right 'window' in which to release their games," said Michael Pachter, an analyst with Wedbush Morgan, adding that it's become "quite similar to the year-round big releases we see from movie studios."

Next month, **Electronic Arts** Inc. begins selling "Battlefield: Bad Company 2," while **Square Enix Holdings** Co. is unveiling its "Final Fantasy XIII" role-playing game and **Sony** Corp. starts shipping its "God of War III" action-adventure game.

"This is unprecedented what's taking place in the next two quarters," said Tony Bartel, merchandising and marketing chief of videogame retailer **GameStop** Corp.

The sheer number of big titles so early this year reflects the changes that are occurring in the game business. Most games were historically launched in the last four months of the year so consumers could purchase them as gifts for the kids. But now that many of these players have grown up, publishers are realizing they have an audience who will buy games year round.

Taking advantage of that audience, which typically doesn't have enough time or money to buy too many games at once, is critical this year. That's because U.S. videogame sales fell 11% to $10.5 billion in 2009, according to market research firm NPD Group. With this year's more-staggered release schedule for games, Jesse Divnich, an analyst for market research firm Electronic Entertainment and Design Research, estimates U.S. software sales will rise 6% in 2010. The pressure on game makers was evident in EA's latest earnings report. The company Monday posted a 25% drop in holiday-quarter sales and lowered its profit and revenue forecasts despite several coming major releases, citing in part changing consumer habits, as people shift to digital games and buy fewer games on discs.

"We've got a strong slate of games and there are reasons to be optimistic," EA's Chief Executive John Riccitiello said Monday. "But the better assumption is to be more conservative."

Many of the games that are debuting, such as "BioShock 2" and "Battlefield," are first-person shooter and action-adventure games that are intended to appeal to older players willing to pay $60 for titles. Another factor that may help: price cuts on game consoles like Sony's PlayStation 3 and **Microsoft** Corp.'s Xbox 360 that have made the machines more affordable.

Staggering the release of games has worked before. When Take-Two launched its "Grand Theft Auto 4" action-adventure game in April 2008, the timing raised concerns it was a "less opportune moment" to sell, Mr. Zelnick said. In an industry where a game that sells a million copies has traditionally been considered a best seller, it sold more than 8.5 million copies in its first month.

Around the same time, **Nintendo** Co. launched its "Super Smash Bros. Brawl" fighting game and "Mario Kart Wii" driving game, with similarly successful results.

Some of the games that are debuting in the next few months were pushed back from last year because of development delays, but analysts say publishers like EA, Sony and Square Enix also deliberately scheduled their game releases to avoid the crowded holiday selling season.

Many retailers are now showcasing fewer games and over the holiday season, **Activision Blizzard** Inc.'s "Call of Duty: Modern Warfare 2" shooter game overshadowed all other games after its November release.

Sony recently chose to launch a new title called "Heavy Rain," a film-noir-like thriller game that some analysts believe could be a challenging sell, late this month. Peter Dille, a Sony senior vice president of marketing, said, "If you get outside the holidays, it's a really good window to attract a voracious audience." Sony declined to comment on the cost of the game

Google plans to test ultra-fast broadband network

By Jessica E. Vascellaro

Google Inc. said it will begin selling ultra-fast Internet access to consumers, a test that could threaten existing telecommunications carriers' grip on the Web and is designed to show off new uses of the Internet at high speeds.

Under the plan, Google will build an experimental ultra-fast network that will target several cities and between 50,000 and 500,000 people, the company announced Wednesday.

In an interview, Google product manager Minny Ingersoll said consumers will be able to buy service directly from Google or from other providers, whom Google will allow to resell the service. She said Google will manage the deployment of the network.

Google said it would offer service at a speed of 1 gigabit per second—or 100 times faster than what many U.S. consumers are used to—and would offer the service at "a competitive price."

Ms. Ingersoll declined to say how much Google planned to invest in the project, saying it would vary based on which cities participated. She said Google plans to "foot the bill" for the deployments itself, without government subsidies.

Google doesn't plan to roll the service out as a national network, Ms. Ingersoll said. Instead, Google's goal is to help demonstrate how faster access can lead to more innovative Internet services. In a blog post, Google described watching live 3D video lectures and streaming medical imagery as examples.

"We have been advocating that the FCC set up an experimental testbed and this is our way of putting our money where our mouth is," she said.

The move comes as Google and service providers have been facing off over a number of issues in Washington, from the availability of spectrum for wireless access to net-neutrality, the issue of whether operators should be allowed to charge different content providers different rates for delivering their service.

Ms. Ingersoll said Google network plans were "in line" with the company's views on open access and net-neutrality, since Google would be opening the network up to other providers and would not discriminate between different sorts of traffic carried by it.

Google is requesting input from interested cities by March 26 and plans to announce those selected and other details later this year.

MARKETS

Morgan Stanley gets earful on pay

CEO's vow to cut firm's compensation ratio followed complaints from shareholders about payouts in 2009

By Aaron Lucchetti

Morgan Stanley Chief Executive James Gorman's pledge last week to reduce the firm's compensation ratio followed prodding from some large shareholders about unusually high employee payouts in 2009, according to people familiar with the situation.

Company officials acknowledge being questioned by investors since Morgan Stanley reported three weeks ago that compensation and benefits last year were equal to 62% of net revenue at the New York company.

That was the highest percentage in a decade and far exceeded that of rival **Goldman Sachs Group** Inc., which had nearly 10 times as much net income as Morgan Stanley did.

Morgan Stanley says Mr. Gorman's declaration that the compensation ratio had peaked at a "historic high" that "nobody on my management team...will ever see again" wasn't triggered by outside pressure. And there are no signs of a shareholder rebellion that could lead to en masse dumping of Morgan Stanley shares or embarrassment at this spring's annual meeting.

Nevertheless, the company is preparing to take additional steps beyond the recent restructuring of its compensation system to show it is responsive to shareholder concerns. According to a person familiar with the thinking of Morgan Stanley directors, the board is expected to approve a nonbinding say-on-pay proposal that would be included on the next shareholder proxy statement.

A final decision hasn't been made, this person said. Financial firms **American Express** Co., **Bank of America** Corp., Goldman and **J.P. Morgan Chase** & Co. are making similar moves.

Mr. Gorman, who took over as CEO on Jan. 1, and other Morgan Stanley executives have been fielding questions about pay levels for months. The firm's compensation ratio surged as the company's revenues suffered amid sluggish trading performance and a sharp increase in the value of Morgan Stanley's liabilities.

Some shareholders say those discussions gained momentum as public ire over Wall Street's pay culture intensified.

"Shareholders used to let it go because that's just the way it was," says one official at a large Morgan Stanley shareholder. Now, though, "you might see some change, and it's a good outcome."

A company spokesman declined to comment on the firm's one-on-one meetings with shareholders. "In response to feedback from shareholders, Morgan Stanley has over the past two years fundamentally restructured the way it pays its people," he said.

"I was disappointed in their compensation ratio" for 2009, says Michael Levine, a portfolio manager at OppenheimerFunds Inc. who runs a mutual fund with $9 million of Morgan Stanley shares. "I'm willing to give them a free pass given the decline in revenue" last year, "but going forward, there needs to be an attitude that shareholders are first in line."

Mr. Gorman's vow to reduce the compensation ratio came during some of his first public comments as CEO. After finishing his presentation, Mr. Gorman took questions from shareholders. The first one: By how much does he expect pay to decline?

Keeping pay near current levels would help Morgan Stanley continue to hire new traders and keep those who are doing a good job.

Some people inside the company say Mr. Gorman has been reluctant at times to grant large bonuses to employees who are benefiting more from the recently strong market than by generating revenues that other employees can't.

Still, last year's $14.4 billion in compensation and benefits exposed Morgan Stanley to criticism because it had just $1.41 billion in profits.

The overall payout was "high relative to peers," which "puts a significant amount of pressure on the company's compensation committee to explain in a compelling and clear manner why," says Hye-Won Choi, head of corporate governance at TIAA-CREF, which owned about $335 million of Morgan Stanley shares according to its most recent regulatory filing and based on Morgan Stanley's stock price Tuesday.

Ms. Choi says TIAA-CREF plans to discuss its concerns with Morgan Stanley in the coming weeks.

A say-on-pay vote proposed by investment firm Calvert Asset Management Co. would give shareholders a nonbinding vote on the company's pay practices. Last year, Morgan Stanley and other large U.S. financial firms that received government aid were required to have a similar measure on the ballot. At Morgan Stanley, more than 90% of the shares voted in favor of the company's pay plans.

By some measures, Morgan Stanley's pay in 2009 wasn't off the charts. It fell below the record in 2007. Since Morgan Stanley acquired control of Citigroup Inc.'s Smith Barney brokerage force, pay per employee declined to $235,000, the lowest in at least seven years.

In addition, Morgan Stanley Chairman John Mack took no bonus in his last three years as CEO, including 2009.

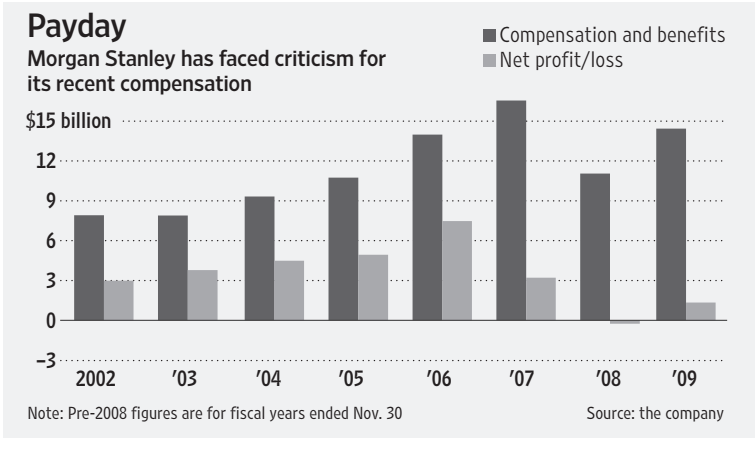
Craig Schneider for The Wall Street Journal

CEO James Gorman suggested he will work to bring Morgan Stanley's compensation ratio below 50%,

Mr. Gorman suggested last week that he will work to bring the compensation ratio to 50% or lower by delivering higher revenue. Most analysts are optimistic he can do it, in part because Morgan Stanley isn't expected to feel the same impact of its own debt-price moves this year. In 2009, excluding the impact of those debt prices increasing would have given Morgan Stanley a pay ratio of 50%.

If 2010 compensation remains at 2009 levels, that would represent about 41% of the $35 billion in revenue projected by analysts surveyed by Thomson Reuters. But that would likely anger traders and investment bankers hoping for bigger bonuses.

—Susanne Craig contributed to this article.



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ORBIS saving sight worldwide

Commonwealth Bank rides tide of loan growth

By Lyndal McFarland

MELBOURNE, Australia—**Commonwealth Bank of Australia**'s first-half net profit rose 13% from a year earlier because of loan growth and a decline in bad-debt charges.

Net profit for the six months ended Dec. 31 rose to 2.91 billion Australian dollars (US$2.56 billion) from A$2.57 billion the prior year. The group increased its interim dividend to A$1.20 a share from A$1.13 a year earlier as a result of the earnings performance, which underscores the relative strength of Australia's major banks.

"This is a very good result at a time when many of our global peers struggle with the ongoing consequences of the global financial crisis," Chief Executive Ralph Norris said Wednesday. However, he cautioned that headwinds stemming from the global economy remain.

The group's closely watched cash profit, which strips out volatile items, rose to A$2.94 billion, up 54% from the previous year on a pro-forma basis, which assumed the group owned its BankWest unit for the entire six months to December 2008. Last month, the bank said it expected a cash profit of A$2.9 billion for the half.

Net interest income rose 19% to A$6.06 billion, boosted by a jump in home loans. Home-loan income increased 49% on a pro-forma basis to A$1.19 billion, mainly as a result of increased market share and growth in outstanding home-loan balances, the bank said. The group estimates its share of the home-loan market now sits at 26%, up from 23.2% a year ago.

Mr. Norris said the group expects a "gradual improvement" in demand for credit for the remainder of the 2010 calendar year. Commonwealth Bank economists expect a 5% to 7% increase in total bank lending in Australia this year, up from 3.3% growth in 2009.

Charges for bad and doubtful debts fell to A$1.38 billion from A$1.95 billion a year earlier. "We think we're past the worst but we don't think it will be a sudden drop," Chief Financial Officer David Craig told reporters in Sydney.

Mr. Norris said that while he is optimistic about the medium-term outlook for the economy, "there are still some risks from international volatility, which could affect short-term performance." He also cited doubts about how fast the global economy will recover and how the U.S. and China will perform.

"As a result of these factors, and the uncertainty surrounding the outcome of initiatives by global regulators around banking sector capital and liquidity, the group plans to retain its current conservative capital and liquidity settings for the foreseeable future," Mr. Norris said.

The bank's Tier 1 capital ratio was 9.1% at the end of December.

—Ross Kelly in Sydney contributed to this article.

Bocom plans China fund

Bank of China arm to raise up to $500 million for private equity

By Rick Carew

HONG KONG—An offshore arm of China's state-owned **Bank of Communications** Co. is the latest player to jump into the country's fast-growing private-equity scene.

Bocom International Asset Management Ltd. said Wednesday it plans to raise US$250 million to US$500 million in the next three months for its first China-focused private-equity fund.

Other Chinese banks, including **Bank of China** Ltd. and **China Construction Bank** Corp., have raised similar funds through offshore entities.

The Chinese financial institutions say their extensive networks within the country give them an edge over foreign rivals like **Carlyle Group** LP and **TPG Capital** in sourcing deals from existing clients. They also can provide acquisition financing and other perks to sway companies to take their capital.

Chinese financial institutions say their extensive networks within the country give them an edge over foreign rivals like Carlyle Group LP and TPG Capital.

Chinese dealmakers

Recent private equity fund raising by prominent Chinese institutions

Fund raiser	Target size/funds raised	Domicile	Date announced
Bocom International Asset Management	$250 million to $500 million*	Offshore	Feb. 10, 2010
Citic Capital	$925 million	Offshore	Feb. 5, 2010
Citic Private Equity Funds Management	$1.32 billion	Onshore	Jan. 27, 2010
CCB International	$1 billion*	Offshore	Dec. 9, 2009

*Target size

Source: WSJ reporting

The Chinese funds are attracting a new breed of clients.

"Before the crisis, the source of the funds would mostly come from the U.S. or Europe," said Simon Hua, Bocom International's head of private equity. Mr. Hua, a former investment banker at Asian brokerage CLSA Ltd., said that situation has changed, with more funds now coming "from Chinese families, Hong Kong families or institutions in Asia and China."

He said Bocom International, which has been working on its plan for about two years, will provide 10% to 20% of the private-equity fund's capital. Bocom also is seeking to set-up a separate local currency private-equity fund as soon as possible, he said.

Some overseas investors are skeptical of state-linked banks' ability to make sound investment decisions independent of government directives or policy.

Their investing teams also have less experience compared with international rivals.

Bocom has already raised 400 million Hong Kong dollars (US$51.6 million), including a large contribution from its own balance sheet, to hunt for investments of US$10 million to US$50 million in Chinese companies preparing overseas initial public offerings, Mr. Hua said.

Chinese commercial banks aren't allowed to raise private-equity funds directly within China due to the perceived higher risk of such activities.

—Amy Or contributed to this article.

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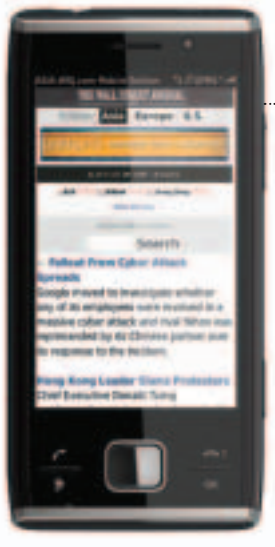

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Temasek plans new investment company

By Costas Paris
And P.R. Venkat

SINGAPORE—**Temasek Holdings** Pte. Ltd. has set up an investment company called Seatown Holdings Pte. Ltd. as part of its effort to partner more with outside investors.

Charles Ong, senior managing director and chief strategist for Temasek, will be the new company's chief executive.

Temasek, one of the world's largest sovereign-wealth funds, didn't provide further details Wednesday.

However, people familiar with the situation said the new company could have an investment capital of US$3 billion that would be invested in emerging markets with a focus on Asia.

One of the people said the new company will eventually allow Singaporeans to co-invest with the sovereign-wealth fund in emerging markets. Another person said the new investment vehicle could look into asset classes that Temasek traditionally doesn't invest in.

The funds for the new company will partly come from the money that Temasek raised from its recently increased US$10 billion bond program, another person said. Temasek has already raised close to US$5 billion through bond issuance since 2005.

Last year, Temasek Chief Executive Ho Ching said the firm was interested in inviting the public to invest with Temasek, first with large, sophisticated investors and then eventually with retail investors.

Mr. Ong was formerly chief investment officer in charge of overseeing investment decisions until late 2006, when he stepped into the strategy role as part of what Temasek said was a routine staff rotation.

The shift followed the sovereign-wealth fund's $3.8 billion takeover of Thailand's Shin Corp., which was owned by the family of Thaksin Shinawatra, then prime minister of Thailand. The deal contributed to the overthrowing of Mr. Thaksin by a military coup in September 2006.

"From the standpoint of Temasek, he has seen through the ups and down and generally been able to prove himself in a difficult environment," said Song Seng Wun, an economist at CIMB.

Mr. Ong joined Temasek in 2002 after working at Lazard Freres & Co. in New York.

Other key members of the new company include Nasser Ahmad, who was a chief investment officer and managing partner of DiMaio Ahmad Capital in New York. Mr. Ahmad will be the co-chief executive of the new company, while Margaret Lui will be the chief operating officer, one of the people familiar with the situation said. Ms. Lui is now the managing director in investments at Temasek.

Temasek manages a portfolio of 172 billion Singapore dollars (US$121.26 billion) and already owns Fullerton Fund Management, which manages hedge funds, mutual funds and other asset classes including equities.

In the wake of the global financial crisis, it begun a rebalancing of its portfolio that has brought more of its money closer to home in Asia.

MARKETS

Has Paulson lost his Midas touch?

Investor who scored big on bets against subprime mortgages has trouble luring cash to his gold fund

By Gregory Zuckerman

It took John Paulson months to convince investors that housing would crumble.

Now it's taking him awhile to get them excited about gold, his latest passion.

When Mr. Paulson's **Paulson & Co.** late last year announced it was starting a hedge fund to make a big gold bet, many on Wall Street expected investors to line up. Paulson & Co. scored about $20 billion in profits in 2007 and 2008 wagering against subprime mortgages and financial companies. It then bought financial shares last year to add more gains.

Some gold traders expected Mr. Paulson's new fund, launched Jan. 1, to raise billions of dollars and even help push gold higher when it started buying this year.

That hasn't happened. Despite months of investor meetings, Mr. Paulson has raised $90 million or so for his new gold fund, according to people close to the matter. Even the $250 million that Mr. Paulson himself placed in the fund hasn't persuaded many investors to get on board.

The fund, despite gains this month that bucked a selloff for gold, has lost about 10% since it was launched, investors say. That's making it that much harder for Mr. Paulson to convince clients.

"I am a long-term believer in inflation, but I feel the weakness in the economy in the short run will trump the longer-term story" for gold, says Christopher Zook, who at CAZ Investments LP invests about $150 million in hedge funds.

Mr. Zook considered but decided not to invest in the gold fund for now. "It's purely my negative view on gold in the short run," he said. "I just am waiting for hopefully a better entry point."

The disappointing response may be a sign that investors are becoming more cautious about the yellow metal.

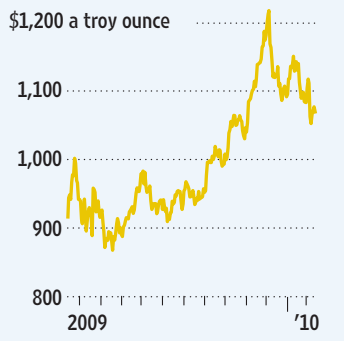
American depositary shares of **AngloGold Ashanti** Ltd., one of Paulson & Co.'s biggest gold-mining bets, had fallen to $36.57 Wednesday morning in New York from nearly $47 in early December.

Mr. Paulson has told his investors he expects his new fund to outperform gold prices as they rise. That suggests it also could do worse than the market if the dollar continues to rally, pushing gold down further.

Some investors have noted that exchange-traded funds that use leverage, or borrowed money, to bet on gold might be able to match Mr. Paulson's fund. By contrast, it was almost impossible for many investors to replicate the complicated derivative moves that Paulson & Co. undertook with its credit funds in 2007 to bet against subprime mortgages.

Going for the gold

Comex gold, front-month contract at 11 a.m. Wednesday: $1,067.50, down $9.20



Source: Thomson Reuters Datastream

SEC allowed to get wiretaps in Galleon case

By Amir Efrati

A federal judge ordered former hedge-fund manager Raj Rajaratnam and others being sued by the Securities and Exchange Commission for alleged insider-trading to give the SEC wiretap recordings being used as evidence against them in a separate criminal case.

Separately, the U.S. Attorney's Office in Manhattan added more charges in the criminal insider-trading case against Mr. Rajaratnam, the founder of Galleon Group, and Danielle Chiesi, formerly an employee of hedge fund **New Castle Partners**.

The added criminal charges, filed as a "superseding" grand-jury indictment, reflect the cooperation of two individuals who recently pleaded guilty in the case. According to the new indictment, the cooperators are prepared to testify that they entered into an insider-trading conspiracy with Mr. Rajaratnam, who has pleaded not guilty.

With the additional charges, in which Mr. Rajaratnam is alleged to have engaged in wrongdoing as early as 2003 and as recently as 2009, prosecutors Jonathan Streeter and Reed Brodsky are asking that Mr. Rajaratnam forfeit $45 million in illegal profits or losses avoided by Galleon, up from $16 million.

In the Galleon case, criminal charges have been filed against 21 individuals, including traders and lawyers. Nine have pleaded guilty and eight of them are cooperating with the government.

If convicted of the 13 criminal counts against him, Mr. Rajaratnam, 52 years old, faces a maximum of 185 years in prison.

In the SEC's lawsuit, U.S. District Judge Jed Rakoff said Mr. Rajaratnam and other co-defendants must provide the wiretap recordings to the SEC by Feb. 15 as part of pre-trial discovery. Mr. Rajaratnam and other defendants had received the recordings from the U.S. Attorney's Office as part of pre-trial discovery in the criminal case. The defendants had argued they weren't allowed to give the recordings to the SEC in the civil case due to privacy laws governing wiretaps.

A trial in the SEC case is set for Aug. 2. No trial date is set in the criminal case.

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Deadline for entries: March 26, 2010

Treasury prices fall after 10-year sale

By Min Zeng

NEW YORK—Treasury prices fell Wednesday following the auction of 10-year note and as Federal Reserve Chairman Ben Bernanke outlined the likely path for withdrawing monetary stimulus and tightening credit once the economy has recovered enough.

U.S. CREDIT MARKETS

The newly sold 10-year notes came in at 3.692%, above the 3.670% in the when-issued market before the sale. The bid-to-cover ratio was 2.67, worse than the 3.00 at the January auction and worse than the 2.76 eight auction average. Indirect bidders took 33% of the notes in the $25 billion auction.

Following the auction, the two-year note was down 4/32 to yield 0.887%, and the 10-year note was down 15/32 to yield 3.699%. The 30-year bond was down 11/32 to yield 4.640%.

The latest details on the so-called exit strategy by the central bank raised speculation of an interest rate increase down the road. The two-year note, whose yield is the most sensitive to changes in official rate outlook, was the biggest loser in the bond market.

Long-dated Treasurys had strengthened as Mr. Bernanke's road map for an exit strategy hurt U.S. stocks and encouraged buying in low-risk government debt.

Euro slips amid doubts over aid

By Bradley Davis

NEW YORK—The euro slumped below $1.37 on Wednesday, as uncertainty over whether Greece would be offered help to deal with its stressed sovereign debt spurred investors to seek the safety of the dollar.

CURRENCY MARKETS

Finance ministers from the nations that use the euro held a conference call Wednesday with European Central Bank President Jean-Claude Trichet to discuss the Greek debt crisis amid speculation that a bailout is being planned.

A decision wasn't likely to be made on the conference call, said a senior German government official.

The call comes a day after Germany's leaders were reported to say they were considering helping Greece.

By midday in New York, the euro had recovered some ground to $1.3741, after trading as low as $1.3678, but still was weaker than the $1.3780 of late Tuesday in New York.

Vietnam cuts dong's value to aid economy

A Wall Street Journal Roundup

HANOI—The State Bank of Vietnam, the country's central bank, said it will devalue the Vietnamese dong by 3.4% effective Thursday, its second devaluation in three months.

One U.S. dollar will buy 18,544 dong, up 3.4% from 17,941 dong.

The exchange rate is being adjusted to balance supply and demand of foreign currencies, increase the liquidity of foreign exchange in the market, and help control the trade deficit and stabilize the economy, the central bank said in a statement.

This is the second recent devaluation. The central bank shaved 5% off the value of the dong on Nov. 27.

The central bank on Wednesday also imposed a 1% ceiling on interest rates on dollar deposits at banks by "economic institutions", not including credit institutions, to try to flush more dollars into the market.

The non-convertible Vietnamese currency is allowed to trade within a band of 3% on either side of the midpoint the central bank sets daily. However, it has been beyond the band's weak end on unofficial markets for more than a year, betraying a weakness rooted in a lack of confidence and a dollar shortage. The central bank narrowed the trading band from 5% when it last devalued the dong.

The latest devaluation comes just days before the Lunar New Year festival, or Tet, which is Vietnam's biggest holiday, a time when cash is in demand and bank liquidity is under pressure.

The dong has been under pressure for months, in part because of a shortage of dollars in the system, but also because of a widespread lack of confidence in the currency made worse by a widening trade deficit and expectations of high inflation.

Vietnam estimated its trade deficit in January was $1.3 billion, with imports leaping 87% and exports rising 28%. January inflation was 7.62%, exceeding a government target for the whole year of 7%.

On the unofficial market, such as in gold shops that double as foreign-exchange dealers in Vietnam, the dong was quoted at 19,180/19,250 earlier on Wednesday.

FUND SCORECARD

HF Debt Arbitrage

Seek out pricing discrepancy of private and public fixed income instruments. Funds tend to have low beta exposures to bond market indices. Ranked on % total return (dividends reinvested) in U.S. dollars for one year ending February 10, 2010

Leading 10 Performers

FUND RATING *	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US ** YTD	1-YR	2-YR	5-YR
1	Whitebox Credit Arbitrage Ltd	Whitebox Advisors LLC	USD	United States	**3.54**	69.56	-1.91	10.96
1	Whitebox Credit Arbitrage LP	Whitebox Advisors LLC	USD	United States	**3.54**	69.19	-2.65	10.22
3	Finisterre Sovereign Debt Master Fund	Finisterre USA	USD	Cayman Isl	**1.69**	40.95	14.24	10.51
1	III Global Ltd	James River Capital Corp.	USD	Cayman Isl	**25.60**	28.55	-19.64	-5.30
1	III Onshore LP	James River Capital Corp.	USD	United States	**26.82**	27.34	-23.35	-7.00
NS	ADI Bond Absolu	ADI - Alternative Investments	EUR	France	**-2.02**	23.03	-4.00	NS
3	DWS Hedge L/S Currency Acc	DWS Investment GmbH	EUR	Germany	**12.50**	22.83	1.28	5.09
3	Aviva G7 Fixed Income Fund GBP	Aviva Inv Alternative Funds PCC Ltd	GBP	Guernsey	**-0.22**	20.18	-0.20	8.22
4	Kevlon Fund LP	Bonita Capital Management LLC	USD	United States	**0.81**	19.56	11.69	10.80
3	Concordia Municipal Opp Fd Ltd.	Concordia Advisors (Bermuda) Ltd.	USD	Bermuda	**18.79**	18.79	5.02	4.36

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

Source: Morningstar, Ltd
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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
AHW the relaxed way to invest									
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Tel (+49) 1805 - 23 82 82									
www.ahw-capital.com									
AHW Top-Div.Int.	GL	EQ	LUX	02/09	EUR	48.29	-11.6	8.1	-25.5
AllianceBernstein									
■ ALLIANCE BERNSTEIN									
www.alliancebernstein.com/investments Tel. +800 2263 8637									
Am Eq Blend A	OT	OT	LUX	02/09	USD	9.88	-4.7	25.1	-12.1
Am Eq Blend B	US	EQ	LUX	02/09	USD	9.27	-4.9	23.8	-12.9
Am Growth A	US	EQ	LUX	02/09	USD	29.21	-6.5	27.1	-2.3
Am Growth AX	US	EQ	LUX	02/09	USD	31.55	-6.4	27.8	-1.8
Am Growth B	US	EQ	LUX	02/09	USD	24.53	-6.6	25.8	-3.3
Am Growth C	US	EQ	LUX	02/09	USD	26.42	-6.5	26.5	-2.7
Am Growth I	US	EQ	LUX	02/09	USD	32.40	-6.4	28.1	-1.6
Am Income A	US	BD	LUX	02/09	USD	8.44	0.1	24.5	5.7
Am Income A2	US	BD	LUX	02/09	USD	19.18	0.7	25.1	5.9
Am Income A2	OT	OT	NA	02/09	HKD	149.03	0.7	25.1	5.9
Am Income AT	OT	OT	NA	02/09	HKD	65.50	0.7	25.1	5.9
Am Income AT	US	BD	LUX	02/09	USD	8.43	0.7	25.1	5.9
Am Income B	US	BD	LUX	02/09	USD	8.44	0.1	23.6	4.9
Am Income B2	US	BD	LUX	02/09	USD	16.52	0.7	24.2	5.2
Am Income B2	OT	OT	NA	02/09	HKD	128.36	0.7	24.2	5.2
Am Income BT	OT	OT	NA	02/09	HKD	65.89	0.2	23.8	5.0
Am Income BT	US	BD	LUX	02/09	USD	8.48	0.2	23.8	5.0
Am Income C	US	BD	LUX	02/09	USD	8.44	0.1	23.9	5.2
Am Income C2	US	BD	LUX	02/09	USD	24.57	0.7	24.5	5.4
Am Income I	US	BD	LUX	02/09	USD	8.44	0.1	25.2	6.3
Am Value A	US	EQ	LUX	02/09	USD	8.25	-3.3	14.3	-11.4
Am Value B	US	EQ	LUX	02/09	USD	7.58	-3.4	13.0	-12.4
Am Value C	US	EQ	LUX	02/09	USD	8.24	-3.4	13.7	-11.9
Am Value I	US	EQ	LUX	02/09	USD	8.88	-3.3	15.0	-10.8
Emg Mkts Debt A	GL	BD	LUX	02/09	USD	15.39	-1.1	40.6	7.5
Emg Mkts Debt A2	GL	BD	LUX	02/09	USD	20.03	-0.4	41.5	7.8
Emg Mkts Debt AT	GL	BD	LUX	02/09	USD	15.46	-0.9	40.9	7.6
Emg Mkts Debt B	GL	BD	LUX	02/09	USD	15.39	-1.1	39.4	6.5
Emg Mkts Debt B2	GL	BD	LUX	02/09	USD	19.27	-0.5	40.0	6.7
Emg Mkts Debt BT	GL	BD	LUX	02/09	USD	15.43	-1.0	39.4	6.5
Emg Mkts Debt C	GL	BD	LUX	02/09	USD	15.39	-1.1	40.1	7.0
Emg Mkts Debt C2	GL	BD	LUX	02/09	USD	19.67	-0.5	40.8	7.3
Emg Mkts Debt I	GL	BD	LUX	02/09	USD	15.39	-1.1	41.2	8.0
Emg Mkts Growth A	GL	EQ	LUX	02/09	USD	31.71	-8.5	58.8	-11.6
Emg Mkts Growth B	GL	EQ	LUX	02/09	USD	26.84	-8.6	57.1	-12.5
Emg Mkts Growth C	GL	EQ	LUX	02/09	USD	27.47	-8.6	58.1	-12.0
Emg Mkts Growth I	GL	EQ	LUX	02/09	USD	35.18	-8.4	60.0	-10.9
Eur Growth A	OT	OT	LUX	02/09	USD	9.18	-5.3	17.9	-14.9
Eur Growth A	OT	OT	LUX	02/09	EUR	6.66	-5.3	17.9	-14.9
Eur Growth B	OT	OT	LUX	02/09	EUR	5.99	-5.2	16.8	-15.7
Eur Growth B	OT	OT	LUX	02/09	USD	8.26	-5.2	16.8	-15.7
Eur Growth C	EU	EQ	LUX	02/09	EUR	5.04	-5.4	17.2	-15.3
Eur Growth I	OT	OT	LUX	02/09	USD	10.02	-5.2	18.8	-14.2
Eur Growth I	OT	OT	LUX	02/09	EUR	7.27	-5.2	18.8	-14.2
Eur Income A	OT	OT	LUX	02/09	EUR	6.68	1.2	40.2	5.7
Eur Income A	OT	OT	LUX	02/09	USD	9.21	1.2	40.2	5.7
Eur Income A2	OT	OT	LUX	02/09	EUR	13.10	1.8	40.9	5.9
Eur Income A2	OT	OT	LUX	02/09	USD	18.06	1.8	40.9	5.9
Eur Income AT	EU	BD	LUX	02/09	EUR	6.67	1.9	41.0	5.9
Eur Income B	OT	OT	LUX	02/09	EUR	6.68	1.2	39.5	5.0
Eur Income B	OT	OT	LUX	02/09	USD	9.21	1.2	39.5	5.0
Eur Income B2	OT	OT	LUX	02/09	EUR	12.18	1.8	40.0	5.1
Eur Income B2	OT	OT	LUX	02/09	USD	16.79	1.8	40.0	5.1
Eur Income BT	EU	BD	LUX	02/09	EUR	6.67	1.2	39.3	4.8
Eur Income C	OT	OT	LUX	02/09	EUR	6.68	1.2	39.7	5.2
Eur Income C	OT	OT	LUX	02/09	USD	9.21	1.2	39.7	5.2
Eur Income C2	OT	OT	LUX	02/09	EUR	13.06	1.8	40.4	5.4
Eur Income C2	OT	OT	LUX	02/09	USD	18.01	1.8	40.4	5.4
Eur Income I	OT	OT	LUX	02/09	EUR	6.68	1.2	40.8	6.2
Eur Income I	OT	OT	LUX	02/09	USD	9.21	1.2	40.8	6.2
Eur Strat Value A	OT	OT	LUX	02/09	EUR	8.02	-6.0	16.4	-17.4
Eur Strat Value A	OT	OT	LUX	02/09	USD	11.06	-6.0	16.4	-17.4
Eur Strat Value I	OT	OT	LUX	02/09	EUR	8.22	-5.9	17.4	-16.6
Eur Strat Value I	OT	OT	LUX	02/09	USD	11.33	-5.9	17.4	-16.6
Eur Value A	OT	OT	LUX	02/09	EUR	8.61	-6.4	19.6	-14.3
Eur Value A	OT	OT	LUX	02/09	USD	11.87	-6.4	19.6	-14.3
Eur Value B	OT	OT	LUX	02/09	USD	10.91	-6.5	18.4	-15.1
Eur Value B	OT	OT	LUX	02/09	EUR	7.91	-6.5	18.4	-15.1
Eur Value C	OT	OT	LUX	02/09	USD	11.47	-6.4	19.0	-14.6
Eur Value C	OT	OT	LUX	02/09	EUR	8.32	-6.4	19.0	-14.6
Eur Value I	OT	OT	LUX	02/09	USD	13.73	-6.2	20.6	-13.5
Eur Value I	OT	OT	LUX	02/09	EUR	9.96	-6.2	20.6	-13.5
Gl Balanced (Euro) A	OT	OT	LUX	02/09	USD	15.44	-2.4	19.9	-9.2
Gl Balanced (Euro) B	OT	OT	LUX	02/09	USD	15.03	-2.4	18.7	-10.1
Gl Balanced (Euro) C	OT	OT	LUX	02/09	USD	15.32	-2.4	19.6	-9.5
Gl Balanced (Euro) I	OT	OT	LUX	02/09	USD	15.73	-2.3	NS	NS
Gl Balanced A	US	BA	LUX	02/09	USD	15.90	-3.5	23.8	-9.1
Gl Balanced B	US	BA	LUX	02/09	USD	15.10	-3.6	22.6	-10.0
Gl Balanced C	OT	OT	LUX	02/09	USD	15.66	-3.6	23.4	-9.4
Gl Balanced C	OT	OT	LUX	02/09	EUR	11.36	-3.6	23.4	-9.4
Gl Balanced I	US	BA	LUX	02/09	USD	16.50	-3.5	24.6	-8.5
Gl Bond A	US	BD	LUX	02/09	USD	9.35	1.2	15.8	4.6
Gl Bond A2	US	BD	LUX	02/09	USD	16.26	1.6	16.1	4.7
Gl Bond A2	OT	OT	NA	02/09	HKD	126.34	1.6	16.1	4.7
Gl Bond AT	OT	OT	LUX	02/09	HKD	72.57	1.3	15.9	4.6
Gl Bond AT	US	BD	LUX	02/09	USD	9.34	1.3	15.9	4.6
Gl Bond B	US	BD	LUX	02/09	USD	9.35	1.2	14.8	3.6
Gl Bond B2	US	BD	LUX	02/09	USD	14.23	1.5	15.0	3.7
Gl Bond B2	OT	OT	NA	02/09	HKD	110.57	1.5	15.0	3.7
Gl Bond BT	OT	OT	LUX	02/09	HKD	72.80	1.2	14.6	3.6
Gl Bond BT	US	BD	LUX	02/09	USD	9.37	1.2	14.6	3.6
Gl Bond C	US	BD	LUX	02/09	USD	9.35	1.2	15.4	4.1
Gl Bond C2	US	BD	LUX	02/09	USD	14.11	1.6	15.8	4.3
Gl Bond I	US	BD	LUX	02/09	USD	9.35	1.2	16.4	5.2
Gl Conservative A	US	BA	LUX	02/09	USD	14.70	-1.1	17.0	-3.2
Gl Conservative A2	US	BA	LUX	02/09	USD	16.73	-1.2	17.0	-3.2
Gl Conservative B	US	BA	LUX	02/09	USD	14.67	-1.3	15.8	-4.2
Gl Conservative B2	US	BA	LUX	02/09	USD	15.88	-1.3	15.8	-4.1
Gl Conservative C	US	BA	LUX	02/09	USD	14.68	-1.2	16.4	-3.6
Gl Conservative C2	US	BA	LUX	02/09	USD	16.36	-1.2	16.4	-3.6
Gl Conservative I	US	BA	LUX	02/09	USD	14.77	-1.1	17.9	-2.4
Gl Eq Blend A	GL	EQ	LUX	02/09	USD	10.86	-6.9	27.5	-18.8
Gl Eq Blend B	GL	EQ	LUX	02/09	USD	10.18	-7.0	26.1	-19.7
Gl Eq Blend C	GL	EQ	LUX	02/09	USD	10.66	-7.0	26.8	-19.2
Gl Eq Blend I	GL	EQ	LUX	02/09	USD	11.46	-6.8	28.3	-18.2
Gl Growth A	GL	EQ	LUX	02/09	USD	38.97	-7.0	24.4	-19.9
Gl Growth B	GL	EQ	LUX	02/09	USD	32.50	-7.1	23.2	-20.7
Gl Growth C	GL	EQ	LUX	02/09	USD	37.38	-7.0	23.9	-20.2
Gl Growth I	GL	EQ	LUX	02/09	USD	43.31	-6.9	25.4	-19.2
Gl High Yield A	US	BD	LUX	02/09	USD	4.31	-0.5	54.2	5.6
Gl High Yield A2	US	BD	LUX	02/09	USD	9.31	0.5	55.4	6.0
Gl High Yield A2	OT	OT	NA	02/09	HKD	72.34	0.5	55.4	6.0
Gl High Yield AT	OT	OT	NA	02/09	HKD	33.26	0.7	55.7	5.9
Gl High Yield AT	US	BD	LUX	02/09	USD	4.28	0.7	55.7	5.9
Gl High Yield B	US	BD	LUX	02/09	USD	4.31	-0.5	52.4	4.4
Gl High Yield B2	US	BD	LUX	02/09	USD	14.94	0.4	53.7	4.8
Gl High Yield B2	OT	OT	NA	02/09	HKD	116.08	0.4	53.7	4.8
Gl High Yield BT	OT	OT	NA	02/09	HKD	33.80	-0.2	52.8	4.6
Gl High Yield BT	US	BD	LUX	02/09	USD	4.35	-0.2	52.8	4.6
Gl High Yield C	US	BD	LUX	02/09	USD	4.31	-0.5	53.4	5.1
Gl High Yield C2	US	BD	LUX	02/09	USD	13.79	0.5	54.6	5.5
Gl High Yield I	US	BD	LUX	02/09	USD	4.31	-0.5	55.2	6.3
Gl Thematic Res. A	OT	OT	LUX	02/09	USD	13.73	-6.8	61.9	0.1
Gl Thematic Res. B	OT	OT	LUX	02/09	USD	12.00	-6.9	60.4	-0.8
Gl Thematic Res. I	OT	OT	LUX	02/09	USD	15.32	-6.8	63.2	0.9
Gl Value A	GL	EQ	LUX	02/09	USD	10.38	-6.8	30.6	-17.8
Gl Value B	GL	EQ	LUX	02/09	USD	9.53	-6.9	29.3	-18.6
Gl Value C	GL	EQ	LUX	02/09	USD	10.08	-6.9	29.9	-18.2
Gl Value I	GL	EQ	LUX	02/09	USD	11.05	-6.8	31.5	-17.2
Greater China A	AS	EQ	LUX	02/09	USD	36.32	-9.3	43.2	-12.3
Greater China B	AS	EQ	LUX	02/09	USD	32.10	-9.4	41.8	-13.2
Greater China C	AS	EQ	LUX	02/09	USD	35.84	-9.3	42.6	-12.7
India Growth A	OT	OT	LUX	02/09	USD	118.95	-6.3	NS	NS
India Growth AX	OT	OT	LUX	02/09	USD	104.01	-6.2	80.6	-5.7
India Growth B	OT	OT	LUX	02/09	USD	124.47	-6.4	NS	NS
India Growth BX	OT	OT	LUX	02/09	USD	88.81	-6.3	78.8	-6.6
India Growth I	EA	EQ	LUX	02/09	USD	107.84	-6.2	81.3	-5.4
Int'l Health Care A	OT	EQ	LUX	02/09	USD	134.70	-2.0	14.2	-6.4
Int'l Health Care B	OT	EQ	LUX	02/09	USD	113.50	-2.1	13.1	-7.3
Int'l Health Care C	OT	EQ	LUX	02/09	USD	129.03	-2.1	13.7	-6.8
Int'l Health Care I	OT	EQ	LUX	02/09	USD	147.31	-1.9	15.2	-5.6
Int'l Technology A	OT	EQ	LUX	02/09	USD	102.14	-7.4	36.7	-6.1
Int'l Technology B	OT	EQ	LUX	02/09	USD	88.41	-7.5	35.3	-7.0
Int'l Technology C	OT	EQ	LUX	02/09	USD	98.66	-7.5	36.1	-6.5
Int'l Technology I	OT	EQ	LUX	02/09	USD	114.63	-7.4	37.8	-5.3
Japan Eq Blend A	JP	EQ	LUX	02/09	JPY	5784.00	-4.0	17.8	-18.1
Japan Eq Blend B	JP	EQ	LUX	02/09	JPY	5575.00	-4.1	16.7	-18.9
Japan Eq Blend C	JP	EQ	LUX	02/09	JPY	5688.00	-4.0	17.3	-18.4
Japan Growth A	JP	EQ	LUX	02/09	JPY	5519.00	-6.0	9.8	-19.5
Japan Growth B	JP	EQ	LUX	02/09	JPY	5319.00	-6.2	8.7	-20.3
Japan Growth C	JP	EQ	LUX	02/09	JPY	5428.00	-6.1	9.3	-19.9
Japan Strat Value A	JP	EQ	LUX	02/09	JPY	6021.00	-1.6	26.2	-16.9
Japan Strat Value B	JP	EQ	LUX	02/09	JPY	5809.00	-1.7	25.0	-17.7
Japan Strat Value C	JP	EQ	LUX	02/09	JPY	5917.00	-1.7	25.6	-17.3
Real Estate Sec. A	OT	EQ	LUX	02/09	USD	13.25	-7.7	37.4	-14.6
Real Estate Sec. B	OT	EQ	LUX	02/09	USD	12.10	-7.8	36.1	-15.5
Real Estate Sec. I	OT	EQ	LUX	02/09	USD	14.25	-7.6	38.6	-13.9
Short Mat Dollar A	US	BD	LUX	02/09	USD	7.27	0.0	13.3	-5.4
Short Mat Dollar A2	US	BD	LUX	02/09	USD	9.84	0.5	13.8	-5.2
Short Mat Dollar AT	US	BD	LUX	02/09	USD	7.27	0.3	13.5	-5.4
Short Mat Dollar B	US	BD	LUX	02/09	USD	7.27	0.0	12.9	-5.8
Short Mat Dollar B2	US	BD	LUX	02/09	USD	9.79	0.5	13.3	-5.7
Short Mat Dollar BT	OT	OT	LUX	02/09	USD	7.28	0.1	NS	-6.1
Short Mat Dollar C	US	BD	LUX	02/09	USD	7.27	0.0	12.9	-5.8
Short Mat Dollar C2	US	BD	LUX	02/09	USD	13.84	0.5	13.3	-5.6
Short Mat Dollar I	US	BD	LUX	02/09	USD	7.27	0.0	13.9	-4.9

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
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Tel: +1 212 301 1800 Fax: +1 212 301 1810									
Alexandra Convertible Bond Fund I, Ltd. (Class A)	OT	OT	VGB	12/31	USD	1691.35	74.6	74.6	NS
CREDIT PACIFIC Private Banking & Wealth Management Group									
■ CREDIT PACIFIC ASSET MANAGMENT									
www.creditpacific.com									
CPS-Master Priv Fund	GL	OT	WSM	02/05	USD	101.90	1.9	23.8	21.0
PLATINUM CAPITAL MANAGEMENT									
■ PLATINUM CAPITAL MANAGEMENT									
Tel: +44 207 024 9840, www.platinumfunds.net									
Platinm-All Star	OT	OT	CYM	11/30	USD	96.31	14.7	11.9	-12.2
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	11/30	USD	113.20	10.2	10.7	-29.6
Platinm-Emancipation	OT	OT	USA	12/31	USD	93.12	24.4	24.4	-8.6
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	10/30	USD	60.64	29.4	15.3	-31.8
Platinm-Nordic	OT	OT	CYM	12/31	SEK	617.36	13.2	13.2	-16.2
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	11/30	USD	57.51	NS	NS	-33.7
SUPERFUND									
■ SUPERFUND ASSET MANAGEMENT GMBH									
For info about open funds, contact info@superfund.com and www.superfund.com									
**Closed for New Investments*									
Superfund Cayman*	OT	OT	CYM	02/02	USD	33.22	-18.5	-60.6	-14.5
Superfund GCT USD*	GL	EQ	LUX	02/02	USD	1943.00	-11.5	-51.2	-8.8
Superfund Green Gold A (SPC)	OT	OT	CYM	02/02	USD	893.00	-7.4	-26.8	-2.8
Superfund Green Gold B (SPC)	OT	OT	CYM	02/02	USD	824.61	-11.9	-41.9	-8.9
Superfund Q-AG*	OT	OT	AUT	02/02	EUR	6043.00	-8.7	-31.6	-2.3
■ WINTON CAPITAL MANAGEMENT LTD									
Tel: +44 (0)20 7610 5350 Fax: +44 (0)20 7610 5301									
Winton Evolution EUR Cls H	OT	OT	CYM	12/31	EUR	945.08	NS	NS	NS
Winton Evolution GBP Cls G	OT	OT	CYM	12/31	GBP	949.08	NS	NS	NS
Winton Evolution USD Cls F	OT	OT	CYM	12/31	USD	1199.12	-5.4	-5.4	2.0
Winton Futures EUR Cls C	OT	OT	VGB	01/29	EUR	191.46	-2.7	-8.1	4.3
Winton Futures GBP Cls D	OT	OT	VGB	01/29	GBP	207.19	-2.7	-7.6	5.2
Winton Futures JPY Cls E	OT	OT	VGB	01/29	JPY	13526.58	-2.6	-9.3	2.0
Winton Futures USD Cls B	OT	OT	VGB	01/29	USD	680.91	-2.6	-8.1	4.0
Allianz Global Investors									
■ ALLIANZ GLOBAL INVESTORS KAPITALANLAGEGESELLSCHAFT									
Concentra AE	EU	EQ	DEU	02/10	EUR	48.96	-6.2	30.1	-7.6
Industria AE	EU	EQ	DEU	02/10	EUR	69.12	-3.4	25.4	-12.7
InternRent AE	EU	BD	DEU	02/10	EUR	37.12	5.4	3.4	9.9
■ CHARTERED ASSET MANAGEMENT PTE LTD - TEL NO: 65-6835-8866									
Fax No: 65-6835 8865, Website: www.cam.com.sg, Email: cam@cam.com.sg									
CAM-GTF Limited	AS	EQ	MUS	01/29	USD	272481.56	-0.7	107.7	7.0

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

MARKETS

Bernanke, Disney hit U.S. stock indexes

By Kristina Peterson

NEW YORK—U.S. stocks fell as investors focused on the Federal Reserve's future plans for tightening credit policy, outlined by Chairman Ben Bernanke on Wednesday.

ABREAST OF THE MARKET

The Dow Jones Industrial Average was down 33.26, or 0.3% at 10025.38 in midday trade.

Walt Disney dropped 1.1% after releasing disappointing first-quarter earnings, weighed by declines in its theme-park and consumer units.

The Dow's financial components kept its losses in check, with **J.P. Morgan Chase** up 1.8% and **Bank of America** up 1%.

The Standard & Poor's 500-share index was down 0.4% at 1065.82. The tech-heavy Nasdaq Composite shed 0.6% to 2137.53.

Traders said Mr. Bernanke's testimony didn't present unexpected developments, but still unnerved the market.

In his prepared testimony for the House Financial Services Committee, Mr. Bernanke said that as part of the Fed's plans to end its liquidity programs, the central bank could "before long" increase the spread, or difference, between the discount rate it charges banks for emergency loans and the Fed funds rate.

Mr. Bernanke didn't give any oral testimony because snowstorms have closed government offices in Washington D.C.

"Saying it will raise rates 'before long,' obviously there's no specifics but it does put potential rate increases back on investors' minds," said Alan Lancz, president of Alan B. Lancz & Associates.

American depository shares of **Baidu.com** jumped 9.1% after the Chinese search engine reported stronger-than-forecast earnings on a 40% jump in revenue.

Dairy processor **Dean Foods** tumbled 15% after its fourth-quarter earnings came in below Wall Street estimates. Revenue was hurt by higher commodities costs.

Sprint Nextel dropped 8.2% as the wireless operator said it continued to lose wireless customers.

European stocks

European shares firmed on hopes that a way will be found to assist Greece with its heavy debt load.

The pan-European Dow Jones Stoxx 600 index rose 0.7% to 240.91.

In Athens, the ASE Composite climbed 2.4% to 1940.82. Banks jumped; **National Bank of Greece** rose 4.4% and **EFG Eurobank Ergasias** gained 7.1%.

Among major national indexes, the U.K. FTSE 100 index rose 0.4% to 5131.99, the German DAX index climbed 0.7% to 5536.37 and the French CAC-40 index rose 0.6% to 3635.61.

Steel giant **ArcelorMittal** skidded 6.9% as its operating profit lagged estimates. The company's first-quarter outlook also was below expectations.

Ten-year yield eases in Japan on yen's gains

By Tomoyuki Tachikawa

TOKYO—A stronger yen rekindled concern over Japan's export-driven economy, pushing investors into the country's 10-year government bonds.

The benchmark 10-year yield eased 0.005 percentage point Wednesday to 1.33%.

Japan's debt also may continue to gain favor for a while because worries about the debt load of some European nations are expected to make global financial markets more volatile, analysts said.

BOND MARKETS

"It remains uncertain whether the fiscal crisis in the euro zone will be solved soon," Mizuho Securities market analyst Masashi Shimominami said. "The yen may keep strengthening and Japan's stocks could fall, so demand for safe-haven assets is unlikely to wane."

Other traders said drops in yields would be limited as hopes increase that Japan's economy will get on a sustainable recovery path, despite Wednesday's move in the yen.

Recent data have shown that strong growth in emerging counties has helped exports continue to pick up, improving corporate profits.

On Wednesday, such expectations discouraged investors from buying superlong-dated paper. Both the 20-year and 30-year yields rose 0.015 percentage point, to 2.155% and 2.325%, respectively.

Miners, shipping firms rise on hope for Greece

By Shri Navaratnam And Leslie Shaffer

Major Asian markets advanced Wednesday as hopes for a rescue package for Greece made investors more optimistic about the economic outloook, driving resources and shipping stocks higher across the region.

ASIAN-PACIFIC STOCKS

But stock gains in many markets were slight as investors remained cautious.

"We still don't know exactly what the rescue plans would look like and which countries will be covered," said Mizuho Securities market analyst Yukio Takahashi.

Germany was considering a plan with its euro-zone partners to offer Greece and other heavily indebted euro-zone countries loan guarantees in a bid to calm fears of a government default, people familiar with the matter said.

Japan's Nikkei Stock Average of 225 companies rose 0.3% to 9963.99, snapping a four-session losing streak. Australia's S&P/ASX 200 gained 0.2% to 4513.42 and South Korea's Kospi ended flat at 1570.12.

Hong Kong's Hang Seng Index added 0.7% to 19922.22, China's Shanghai Composite rose 1.1% to 2982.50 and India's Sensex lost 0.8% to 15922.17.

Shipping and resources stocks advanced, underpinned by gains in commodities Tuesday, as well as an upswing on Wall Street.

Nippon Yusen climbed 2.8% and **Mitsui O.S.K. Lines** added 2.8% in Tokyo; **China Shipping Container Lines** jumped 4.6% in Hong Kong, and **Korea Line** advanced 1.6% in Seoul.

Among commodity stocks, **Rio Tinto** tacked on 1.4% and **Newcrest Mining** rose 1.1% in Sydney. Hong Kong-listed shares of **Jiangxi Copper** added 2.7%, and Japan's **Inpex** climbed 1.4%.

Shares of **BHP Billiton** rose sharply during the session after it reported earnings for the six months ended Dec. 31 more than doubled, but the stock retraced much of the early gains after the miner sounded a note of caution on the short-term outlook for commodities demand. It ended up 0.1% higher.

Shares of **Boral** jumped 4.4% after it reported a stronger-than-expected first-half net profit.

In Tokyo, **Honda Motor** dropped 1.6% on news the company has expanded a recall to include more than 900,000 vehicles world-wide to fix any possible malfunctioning of airbags.

Australian banks lost ground, despite solid results from **Commonwealth Bank of Australia**. The lender's interim dividend of 1.20 Australian dollars (US$1.05) a share fell short of expectations. CBA dropped 1.7%, while **National Australia Bank** shed 2.3%.

—V. Phani Kumar contributed to this article.

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GAM

■ GAM FUND MANAGEMENT LIMITED
George's Court, 54-62 Townsend Street, Dublin 2, Ireland
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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GAM Arbitrage Op	OT	OT	VGB	01/29	USD	1281.74	3.1	26.0	-6.3
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	02/08	JPY	13721.98	-11.7	57.6	1.3
GAM Asia Equity Hedge US	OT	OT	VGB	02/08	USD	255.95	-11.8	56.3	1.3
GAM Asia Equity USD	OT	OT	VGB	02/09	USD	582.60	-10.9	51.3	-11.6
GAM Asia-Pacific Eq USD	OT	OT	VGB	02/09	USD	1230.81	-4.1	25.8	-14.8
GAM Com Glb Bal EUR Op	US	BA	VGB	01/29	EUR	95.18	-0.9	18.6	-6.9
GAM Com Glb Bal USD Op	US	BA	VGB	01/29	USD	126.69	-0.9	18.6	-6.9
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	01/29	EUR	96.36	-3.0	27.9	-12.8
GAM Comp Glb Eq USD Op	GL	EQ	VGB	01/29	USD	123.73	-3.0	27.9	-12.8
GAM Comp Glb Gr EUR Op	US	BA	VGB	01/29	EUR	85.73	-2.1	20.1	-10.4
GAM Comp Glb Gr USD Op	US	BA	VGB	01/29	USD	124.45	-2.1	20.1	-10.4
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	02/05	USD	233.32	-6.2	37.2	-10.9
GAM Cross Trading Inc	OT	OT	VGB	01/29	USD	463.36	-0.5	3.9	4.2
GAM Diversity CHF Op	OT	OT	VGB	01/29	CHF	93.70	-0.6	3.1	-6.1
GAM Diversity EUR Op	OT	OT	VGB	01/29	EUR	644.42	-0.6	3.8	-4.6
GAM Diversity USD 2.5XL	OT	OT	VGB	01/29	USD	77.01	-1.6	6.6	-17.7
GAM Diversity USD Op	OT	OT	VGB	01/29	USD	676.99	-0.6	3.8	-5.1
GAM Dvrsty II CHF Op	OT	OT	VGB	01/29	CHF	98.76	-0.7	2.4	-5.9
GAM Dvrsty II EUR Op	OT	OT	VGB	01/29	EUR	137.79	-0.7	3.2	-4.8
GAM Dvrsty II USD Op	OT	OT	VGB	01/29	USD	208.73	-0.7	3.0	-5.2
GAM DvrstyIII EUR Op	OT	OT	VGB	01/29	EUR	114.71	-0.7	3.1	-5.0
GAM DvrstyIII USD Op	OT	OT	VGB	01/29	USD	121.15	-0.7	3.3	-5.1
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	02/08	EUR	217.71	-0.5	11.4	-3.3
GAM Euro Eq Hdg USD Op	OT	OT	VGB	02/08	USD	202.20	-0.6	12.5	-1.8
GAM European Equity USD	OT	OT	VGB	02/08	USD	261.58	-10.8	20.0	-12.7
GAM GAMCO	OT	EQ	VGB	02/02	USD	796.10	-1.8	42.9	-8.4
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	02/08	EUR	94.03	-3.9	9.9	-17.2
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	02/08	USD	99.39	-3.7	10.6	-16.4
GAM Gbl Divers USD Inc.	GL	EQ	VGB	02/08	USD	243.55	-2.5	31.9	-7.5
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	02/08	USD	252.20	-12.0	93.4	18.7
GAM Intrst Trend II	GL	BD	VGB	01/29	USD	102.96	9.4	60.6	-4.7
GAM Intrst Trend Inc	OT	OT	VGB	01/29	USD	274.21	9.0	76.3	-2.6
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	02/08	EUR	119.86	2.7	10.7	-3.6
GAM Japan Eq Hdg USD Op	OT	OT	VGB	02/08	USD	122.85	0.7	16.0	-14.2
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	02/08	JPY	8463.59	0.7	16.3	-15.9
GAM Japan USD	JP	EQ	VGB	02/09	USD	1094.45	-0.8	19.0	-11.9
GAM Japan YEN	JP	EQ	VGB	02/09	JPY	8638.60	-2.1	20.5	-17.8
GAM Money Mkt EuroOp	EU	MM	VGB	02/08	EUR	51.15	0.1	0.1	1.5
GAM Money Mkt USD	US	MM	VGB	02/08	USD	100.02	0.1	0.0	0.7
GAM Multi-Arb EUR Op	OT	OT	VGB	01/29	EUR	111.88	0.6	0.6	-8.6
GAM Multi-Arb USD Op	OT	OT	VGB	01/29	USD	116.76	0.6	0.8	-9.0
GAM Multi-China EUR Op	OT	OT	VGB	01/29	EUR	161.24	-4.0	7.9	-6.3
GAM Multi-China USD Op	OT	OT	VGB	01/29	USD	169.83	-3.8	8.7	-6.9
GAM Multi-Emer Mkts GBP	OT	OT	VGB	01/29	GBP	129.74	-1.3	24.0	-0.2
GAM Multi-Emer Mkts USD	OT	OT	VGB	01/29	USD	642.13	-1.4	24.0	-0.7
GAM Multi-Eur EUR Op	OT	OT	VGB	01/29	EUR	267.33	-0.6	5.5	-7.0
GAM Multi-Eur II EUR Op	OT	OT	VGB	01/29	EUR	137.55	-0.6	5.5	-7.0
GAM Multi-Eur II USD Op	OT	OT	VGB	01/29	USD	112.47	-0.5	5.2	-8.1
GAM Multi-Eur USD Op	OT	OT	VGB	01/29	USD	465.05	-0.6	5.3	-8.0
GAM Multi-Nth Am EUR Special	OT	OT	VGB	01/29	EUR	133.17	-0.6	9.4	-1.6
GAM Multi-Nth Am USD Special	OT	OT	VGB	01/29	USD	216.83	-0.6	10.3	-1.8
GAM Multi-Pac EUR Op	GL	EQ	VGB	01/29	EUR	140.30	-2.2	2.0	-3.0
GAM Multi-Pac USD Op	OT	OT	VGB	01/29	USD	162.00	-2.1	2.2	-3.3
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	01/29	USD	2661.43	0.9	63.5	11.4
GAM Sing/Malaysia	AS	EQ	VGB	02/09	USD	2344.59	-7.1	53.4	-9.4
GAM Sterling Spe Bd Inc	OT	OT	VGB	02/01	GBP	238.93	3.9	47.8	5.1
GAM Trading EUR Inc	OT	OT	VGB	01/29	EUR	323.33	-0.6	3.4	5.3
GAM Trading USD Inc	OT	OT	VGB	01/29	USD	967.86	-0.5	3.7	4.7
GAM Trdg II IncEUR Op	OT	OT	VGB	01/29	EUR	138.29	-0.6	3.2	5.2
GAM Trdg II IncUSD Op	OT	OT	VGB	01/29	USD	314.27	-0.5	3.8	4.7
GAM Trdg IV IncEUR Op	OT	OT	VGB	01/29	EUR	145.89	-0.6	3.0	4.9
GAM Trdg IV IncUSD Op	OT	OT	VGB	01/29	USD	153.64	-0.6	3.5	4.5
GAM Trdg V IncEUR Op	OT	OT	VGB	01/29	EUR	123.71	-0.6	3.0	4.8
GAM Trdg V IncUSD Op	OT	OT	VGB	01/29	USD	128.91	-0.5	3.4	4.5
GAM TrdgIII IncEUR Op	OT	OT	VGB	01/29	EUR	156.01	-0.6	3.1	5.0
GAM TrdgIII IncUSD Op	OT	OT	VGB	01/29	USD	161.61	-0.6	3.5	4.6
GAM USDSpecBondInc	US	BD	VGB	02/01	USD	556.65	5.0	81.7	8.9
GAM Worldwide	GL	EQ	VGB	02/08	USD	2025.89	-9.0	25.0	-10.2
GAMut Investments	OT	OT	VGB	02/03	USD	7617.96	0.5	1.7	7.3

■ GAM Star Fund Plc

GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	02/08	CHF	10.11	-8.4	35.1	-13.3
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	02/08	EUR	11.05	-7.3	41.1	-8.6
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	02/08	GBP	1.44	-8.3	41.3	-0.9
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	02/08	USD	11.84	-11.7	49.0	-11.1
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	02/08	EUR	100.07	-1.1	19.7	-9.4
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	02/08	EUR	96.84	-1.1	19.7	-9.4
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	02/09	EUR	10.39	-5.5	18.6	-6.9
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	02/08	EUR	171.89	-6.1	15.9	-10.0
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	02/08	EUR	157.06	-6.1	15.9	-10.0
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	02/08	USD	14.30	-10.6	22.2	-12.5
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	02/08	USD	12.97	-10.6	22.2	-12.5
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	02/08	USD	5.45	-0.7	39.1	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	02/08	EUR	90.00	2.3	14.1	-7.4
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	02/08	EUR	90.00	2.3	14.1	-7.4
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	02/08	JPY	902.56	-2.0	17.8	-17.5
GAMStar-JpnEq USD Acc	JP	EQ	IRL	02/08	USD	11.08	-0.3	16.5	-11.7
GAMStar-World EqUSD Acc	GL	EQ	IRL	02/08	USD	2041.57	-8.8	26.1	-9.7

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American Growth	US	EQ	LUX	02/10	USD	14.54	-4.8	21.5	-10.4
American Growth AA	US	EQ	LUX	02/10	USD	0.84	-4.8	21.2	-8.5
Asian Equity	AS	EQ	LUX	02/10	USD	2.25	-8.3	56.4	-9.1
Asian Equity AA	AS	EQ	LUX	02/10	USD	0.72	-8.3	55.8	-9.3
Asian Sm Cap Equity AA	AS	EQ	LUX	02/10	USD	1.09	-5.5	86.0	-3.7
China Value A	AS	EQ	LUX	02/10	USD	6.41	-9.9	49.8	-5.7
China Value AA	AS	EQ	LUX	02/10	USD	2.01	-10.0	49.4	-6.0
Dragon Growth	AS	EQ	LUX	02/10	USD	1.49	-9.3	52.5	-8.6
Dragon Growth AA	OT	OT	LUX	02/10	HKD	7.26	-9.1	52.5	-9.5
Emg Eastrn Europe A	EU	EQ	LUX	02/10	USD	4.44	-3.7	103.3	-12.9
Emg Eastrn Europe AA	EU	EQ	LUX	02/10	USD	1.91	-3.8	103.0	-13.1
European Growth	EU	EQ	LUX	02/10	USD	8.47	-7.5	41.1	-14.6
European Growth AA	EU	EQ	LUX	02/10	USD	0.60	-7.6	40.7	-14.8
Global Contrarain AA	GL	EQ	LUX	02/10	USD	0.88	-0.4	90.9	NS
Global Property AA	OT	EQ	LUX	02/10	USD	0.63	-6.4	50.2	-12.8
Global Resources AA	OT	EQ	LUX	02/10	USD	1.01	-6.9	34.7	-13.4
Healthcare AA	OT	EQ	LUX	02/10	USD	0.92	-2.1	11.2	NS
India Equity AA	EA	EQ	LUX	02/10	USD	1.00	-8.6	65.6	-15.1
International Growth	GL	EQ	LUX	02/10	USD	2.90	-5.0	20.6	-13.1
International Growth AA	GL	EQ	LUX	02/10	USD	0.67	-5.1	20.3	-13.3
Japanese Growth	JP	EQ	LUX	02/10	USD	2.73	-1.0	17.7	-9.4
Japanese Growth AA	JP	EQ	LUX	02/10	USD	0.72	-0.3	18.2	-9.3
Latin America Equity AA	GL	EQ	LUX	02/10	USD	1.18	-8.7	73.8	-4.7
Manulife GF Strategic Income Fund AA	OT	OT	NA	02/10	USD	1.00	0.1	NS	NS
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	02/10	USD	1.09	-4.3	NS	NS
Russia Equity AA	EE	EQ	LUX	02/10	USD	0.64	3.4	131.0	-17.3
Taiwan Equity AA	AS	EQ	LUX	02/10	USD	0.97	-10.4	74.8	0.3
Turkey Equity AA	EE	EQ	LUX	02/10	USD	0.76	-1.5	117.1	-0.2
U.S. Bond AA	US	BD	LUX	02/10	USD	1.13	1.6	18.4	7.7
U.S. Sm Cap Equity AA	US	EQ	LUX	02/10	USD	0.82	0.8	65.0	-8.4
U.S. Special Opportunities	OT	OT	LUX	02/10	USD	0.84	3.7	92.5	4.1
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	02/10	USD	1.15	0.8	7.3	2.0

■ PT CIPTADANA ASSET MANAGEMENT
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Indonesian Grth Fund	EA	EQ	CYM	02/03	USD	131.37	3.2	127.9	-0.6

Sensible Asset Management
A Value Partners Group company

■ SENSIBLE ASSET MANAGEMENT LIMITED
www.samfund.com.hk Tel: (852) 2868 6848 Fax: (852) 2810 9948

Asia Value Formula Fd-B	AS	EQ	CYM	02/09	USD	7.59	-5.4	77.3	-4.4

SOCIETE GENERALE
Asset Management

■ SG ASSET MANAGEMENT (HK) LTD
Hotline in Hong Kong 2166 5099
A company of Amundi Group
www.sgam.com

Bonds Eur Hi Yld A	OT	OT	LUX	02/08	EUR	21.12	2.6	51.3	4.1
Bonds EURO A	OT	OT	LUX	02/08	EUR	41.29	0.6	5.5	4.1
Bonds EUROPE A	OT	OT	LUX	02/09	EUR	39.42	0.8	4.6	3.6
Bonds US OppsCoreplus A	OT	OT	LUX	02/08	USD	37.49	1.6	15.7	8.1
Bonds World A	OT	OT	LUX	02/09	USD	41.73	-0.6	9.5	4.4
Eq. AsiaPac Dual Strategies A	OT	OT	LUX	02/09	USD	9.37	-10.1	53.9	-11.2
Eq. China A	AS	EQ	LUX	02/09	USD	21.16	-12.3	44.3	-11.3
Eq. Concentrated Euroland A	OT	OT	LUX	02/09	EUR	85.62	-7.9	11.4	-16.2
Eq. ConcentratedEuropeA	EU	EQ	LUX	02/08	EUR	25.11	-7.0	22.8	-15.3
Eq. Emerging Europe A	OT	OT	LUX	02/08	EUR	22.93	-2.6	91.7	-20.9
Eq. Euroland A	EU	EQ	LUX	02/08	EUR	9.92	-8.3	11.7	-17.1
Eq. Euroland Small Cap A	OT	OT	LUX	02/08	EUR	134.01	-5.1	31.3	-8.0
Eq. EurolandCyclclsA	EU	EQ	LUX	02/08	EUR	17.01	-4.4	21.2	-11.2
Eq. EurolandFinancialA	OT	EQ	LUX	02/08	EUR	9.78	-13.5	28.4	-20.2
Eq. Glbl Emg Cty A	GL	EQ	LUX	02/08	USD	8.45	-12.7	47.5	-16.1
Eq. Global A	GL	EQ	LUX	02/09	USD	26.19	-6.0	27.8	-11.0
Eq. Global Energy A	OT	EQ	LUX	02/08	USD	16.72	-7.8	15.6	-13.6
Eq. Global Resources A	OT	OT	LUX	02/08	USD	97.76	-10.5	31.4	-14.6
Eq. Gold Mines A	OT	EQ	LUX	02/08	USD	26.63	-12.1	24.2	-8.4
Eq. India A	OT	OT	LUX	02/09	USD	119.85	-8.3	66.4	-15.1
Eq. Japan CoreAlpha A	OT	OT	LUX	02/09	JPY	7276.02	0.3	31.2	-7.3
Eq. Latin America A	OT	OT	LUX	02/08	USD	101.08	-13.0	52.1	-13.2
Eq. US Lg Cap Gr A	US	EQ	LUX	02/08	USD	14.12	-7.4	24.6	-11.0
Eq. US Rel Val A	US	EQ	LUX	02/08	USD	19.51	-5.3	29.7	-13.6
Eq, US Sm Cap Val A	US	EQ	LUX	02/09	USD	15.07	-5.5	21.8	-17.9
Money Market EURO A	EU	MM	LUX	02/08	EUR	27.41	0.0	0.8	2.4
Money Market USD A	US	MM	LUX	02/08	USD	15.83	0.0	0.4	1.4

The National Investor

■ THE NATIONAL INVESTOR
TNI Tower | Zayed 1st Street Khalidia| Web:www.tni.ae

TNI Mena Real Estate Fund	OT	OT	BMU	02/04	USD	924.08	-3.9	3.6	-28.5
TNI MENA Special Sits Fund	OT	OT	BMU	01/31	USD	1091.50	1.1	13.6	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	02/04	AED	5.04	-5.3	21.9	-33.0

Value Partners
Investing through discipline

■ WEBSITE: WWW.VALUEPARTNERS.COM.HK, TEL: (852) 2880 9263, FAX: (852) 2564 8487
**formerly known as China ABH Shares Fund*

Intel-Chin MainInd Foc	AS	EQ	CYM	01/29	USD	28.14	-5.7	85.5	2.1
Intel-China Converg*	AS	EQ	CYM	01/29	USD	107.04	-6.1	85.8	1.1
VP Classic - A	AS	EQ	CYM	02/09	USD	172.12	-7.7	73.5	-0.2
VP Classic - B	AS	EQ	CYM	02/09	USD	80.18	-7.8	72.6	-0.7
VP High Dividend Stk	AS	EQ	CYM	02/08	USD	43.34	-4.6	79.8	2.1

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■ YUKI INTERNATIONAL LIMITED
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■ YMR-N Series									
YMR-N Growth Fund	OT	OT	IRL	02/10	JPY	8913.00	-6.1	18.1	-19.2
YMR-N Small Cap Fund	OT	OT	IRL	02/10	JPY	6601.00	-5.6	18.3	-19.1
■ Yuki 77 Series									
Yuki 77 General	JP	EQ	IRL	02/10	JPY	5764.00	-6.3	8.1	-22.4
Yuki 77 Growth	JP	EQ	IRL	02/10	JPY	5288.00	-6.3	4.3	-26.6
■ Yuki Chugoku Series									
Yuki Chugoku Jpn Gen	JP	EQ	IRL	02/10	JPY	6530.00	-4.4	16.2	-18.0
Yuki Chugoku JpnLowP	JP	EQ	IRL	02/10	JPY	7430.00	-1.5	6.6	-17.5
■ Yuki Hokuyo Japan Series									
Yuki Hokuyo Jpn Gen	JP	EQ	IRL	02/10	JPY	4460.00	-4.6	10.9	-21.7
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	02/10	JPY	5066.00	-3.5	11.0	-17.0
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	02/10	JPY	4791.00	-6.2	16.2	-18.7
■ Yuki Mizuho Series									
Yuki Mizuho Gen Jpn III	OT	OT	IRL	02/10	JPY	4127.00	-6.6	11.1	-26.3
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	02/10	JPY	4334.00	-7.1	10.2	-26.4
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	02/10	JPY	6526.00	-6.4	21.5	-20.5
Yuki Mizuho Jpn Gen	OT	OT	IRL	02/10	JPY	8109.00	-5.9	15.5	-18.7
Yuki Mizuho Jpn Gro	OT	OT	IRL	02/10	JPY	5949.00	-6.4	9.9	-21.3
Yuki Mizuho Jpn Inc	OT	OT	IRL	02/10	JPY	7328.00	-4.0	3.8	-19.4
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	02/10	JPY	4952.00	-4.6	14.2	-20.0
Yuki Mizuho Jpn LowP	OT	OT	IRL	02/10	JPY	11207.00	-3.1	16.5	-14.5
Yuki Mizuho Jpn PGth	OT	OT	IRL	02/10	JPY	7391.00	-7.1	11.0	-24.5
Yuki Mizuho Jpn SmCp	OT	OT	IRL	02/10	JPY	6621.00	-7.2	22.5	-20.6
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	02/10	JPY	5422.00	-4.0	15.6	-16.6
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	02/10	JPY	2526.00	-7.3	15.2	-26.2
■ Yuki Shizuoka Japan Series									
Yuki Shizuoka General Japan	JP	EQ	IRL	02/10	JPY	5135.00	-5.3	15.4	-19.3

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE Previous session	Year-to-date	52-week
Sweden	-0.66%	**-1.2%**	44.9%
Japan	0.30	**-2.9**	14.6
Netherlands	0.90	**-3.4**	33.1
South Africa	-0.41	**-3.8**	21.0
Switzerland	0.56	**-4.0**	28.0
Canada	0.06	**-5.0**	25.9
U.K.	0.43	**-5.1**	21.3
Turkey	-0.17	**-5.2**	92.1
Russia	-0.28	**-5.6**	64.1
Singapore	-0.46	**-5.6**	61.5
South Korea	0.09	**-7.0**	34.1
Germany	0.67	**-7.5**	16.7
Australia	-0.20	**-7.6**	27.6
France	0.74	**-8.0**	21.5
Italy	1.96	**-8.0**	20.8
Hong Kong	0.60	**-8.5**	41.6
China 88	1.44	**-11.1**	30.1
Spain	1.09	**-11.2**	13.7
Brazil	0.36	**-11.6**	71.0

Dow Jones Regional Sector Titans

Arab 50	-0.03%	**3.4%**	29.1%
Nordic 30 -p	0.85	**0.9**	32.8
Travel Leisure	0.05	**0.6**	31.2
Pers H'hold Gds	0.31	**-0.9%**	30.2
Asian 50	0.08	**-5.0**	33.4
EU Enlarged†-p	1.48	**-5.2**	48.6
Global 50	0.51	**-6.2**	25.1
Stoxx 50 -p	-0.03	**-7.3**	20.4
Tiger 50*	0.61	**-8.1**	53.9
Euro Stoxx 50 -p	0.16	**-10.0**	17.6

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

Dow Jones Asia Titans: Wednesday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
Japan Tobacco	Japan	Tobacco	$35.2	328,000	**5.64%**	36.7%	-40.2%
CNOOC	Hong Kong	Exploration Production	69.8	12.14	**2.88**	65.6	86.8
Shinhan Financial Grp	South Korea	Banks	17.3	42,150	**2.06**	50.4	-20.7
Nissan Motor	Japan	Automobiles	33.8	743.00	**1.64**	165.4	-46.8
China Life Ins	Hong Kong	Life Insurance	31.9	33.30	**1.52**	42.9	44.5
National Australia Bk	Australia	Banks	$45.0	24.54	**-2.31%**	31.2	-40.3
Aus NZ Bk	Australia	Banks	44.2	20.20	**-1.80**	68.1	-31.4
Commonwlth Bk of Aus	Australia	Banks	68.8	51.83	**-1.69**	73.2	0.9
Honda Motor	Japan	Automobiles	61.4	3,010	**-1.63**	33.8	-38.3
China Mobile (HK)	Hong Kong	Mobile Telecommunications	191.8	74.95	**-1.38**	0.6	3.0

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Shin-Etsu Chml Japan (Specialty Chemicals)	22.9	4,830	**1.47%**	13.9%	-36.2%
RioZim Ltd Australia (General Mining)	36.1	67.94	**1.42**	65.5	11.5
Tokyo Elec Power Japan (Conventional Electricity)	36.7	2,430	**1.38**	-10.3	-43.2
Nintendo Japan (Toys)	34.8	24,370	**1.37**	-10.9	-24.4
Sun Hung Kai Prop Hong Kong (Real Estate Holding Development)	33.4	101.30	**1.30**	57.2	7.4
Nippon Steel Japan (Iron Steel)	22.7	323.00	**1.25**	17.0	-56.0
Sony Japan (Consumer Electronics)	33.6	3,020	**1.17**	66.4	-51.5
KB Fncl Group South Korea (Banks)	16.2	48,850	**1.03**	45.4	-40.8
QBE Ins Grp Australia (Reinsurance)	20.1	22.39	**0.99**	-0.5	-26.4
POSCO South Korea (Iron Steel)	35.0	533,000	**0.95**	40.5	51.6
Sumitomo Mitsui Finl Japan (Banks)	43.0	2,858	**0.95**	-19.0	-75.6
Mitsubishi Japan (Industrial Suppliers)	39.5	2,155	**0.89**	61.2	-16.6
Woolworths Australia (Food Retailers Wholesalers)	27.4	25.50	**0.75**	-7.7	-0.2
Hon Hai Precision Ind Taiwan (Electrical Components Equipment)	35.8	134.50	**0.75**	139.8	-4.7
Westfield Grp Australia (Retail REITs)	24.9	12.32	**0.74**	9.2	-45.9
PetroChina Hong Kong (Integrated Oil Gas)	23.1	8.51	**0.71**	33.0	-10.5
Canon Japan (Electronic Office Equipment)	48.8	3,540	**0.71**	37.5	-43.8
China Constr Bk Hong Kong (Banks)	170.9	5.91	**0.68**	44.2	22.9
Seven I Hldgs Japan (Broadline Retailers)	19.5	1,937	**0.57**	-12.8	-45.9
Toyota Motor Japan (Automobiles)	119.2	3,390	**0.44**	8.0	-58.5

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
JFE Hldgs Japan (Iron Steel)	18.3	3,105	**0.32%**	30.7%	-56.8%
Kansai Elec Power Japan (Conventional Electricity)	22.2	2,080	**0.24**	-8.6	-44.5
Indl Comm Bk China Hong Kong (Banks)	59.1	5.53	**0.18**	54.9	20.2
NTT DoCoMo Japan (Mobile Telecommunications)	64.3	137,900	**0.15**	-9.4	-36.7
BHP Billiton Australia (General Mining)	117.0	39.88	**0.08**	23.2	38.5
Takeda Pharm Japan (Pharmaceuticals)	34.3	3,890	**-0.13**	-2.8	-51.6
Hutchison Whampoa Hong Kong (Diversified Industrials)	29.4	53.55	**-0.19**	37.1	-32.4
Cheung Kong Hong Kong (Real Estate Holding Development)	27.4	91.90	**-0.27**	37.9	-9.3
Taiwan Smcndtr Mfg Taiwan (Semiconductors)	47.2	58.40	**-0.34**	27.5	-11.9
Panasonic Japan (Consumer Electronics)	30.1	1,300	**-0.38**	15.0	-45.4
Tokio Marine Hldgs Japan (Property Casualty Insurance)	20.9	2,378	**-0.42**	-3.3	-43.7
East Japan Railway Japan (Travel Tourism)	25.8	5,840	**-0.51**	5.0	-36.5
Westpac Bking Australia (Banks)	57.9	22.74	**-0.61**	40.6	-10.8
Mitsubishi UFJ Finl Japan (Banks)	70.3	453.00	**-0.66**	-6.6	-69.4
Samsung Elec South Korea (Semiconductors)	96.3	755,000	**-0.79**	47.2	33.2
KDDI Japan (Mobile Telecommunications)	23.7	480,000	**-0.83**	-2.8	-49.2
Nippon T&T Japan (Fixed Line Telecommunications)	57.6	3,900	**-1.02**	-6.9	-41.0
Woodside Petroleum Australia (Exploration Production)	26.1	41.66	**-1.07**	29.0	12.0
Mitsui Japan (Industrial Suppliers)	25.9	1,279	**-1.08**	27.1	-38.8
Mizuho Financial Grp Japan (Banks)	27.2	173.00	**-1.14**	-21.0	-80.0

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

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Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	-0.41%	-1.88%	-0.6%	-2.0%	4.3%
Event Driven	-0.61	-2.33	0.4	-1.4	12.1
Equity Long/Short	-1.14	-3.30	0.4	-1.5	2.2

*Estimates as of 02/08/10, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

Markit iTraxx Indexes

Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 12/1	0.94	100.29%	0.01%	1.00	0.65	0.83
Eur. High Volatility: 12/1	1.40	98.22	0.01	1.76	0.92	1.30
Europe Crossover: 12/1	4.89	100.43	0.05	6.15	3.79	4.95
Asia ex-Japan IG: 12/1	1.30	98.66	0.01	1.34	0.87	1.07
Japan: 12/1	1.58	97.33	0.01	1.68	0.99	1.34

Note: Data as of February 9

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

Source: Markit Group

Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Kawasaki Kisen Kaisha	240	**-10**	4	18
Chartered Semicon Mfg	167	**-8**	13	39
Suzuki Mtr	81	**-4**	-1	16
Hysan Dev	67	**-4**	-3	17
Furukawa Elec	118	**-2**	7	14
Mizuho Corporate Bk	131	**-1**	5	29
Sumitomo Mitsui Bkg	93	**-1**	1	19
Kajima	385	**-1**	9	89
Japan	87	**-1**	6	17
KDDI	49	**...**	4	15

And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Bridgestone	58	**11**	14	14
Rep Indonesia	231	**11**	37	43
KT&G	111	**11**	18	51
Chugoku Elec Pwr	55	**12**	23	24
Kansai Elec Pwr	55	**13**	21	24
Chubu Elec Pwr	55	**13**	17	24
Mitsubishi Elec	65	**16**	23	24
Tokyo Gas	48	**17**	20	24
Osaka Gas	46	**18**	18	22
Takashimaya	140	**34**	40	46

Source: Markit Group

Behind Europe's deals: Bank revenue rankings, Germany

Behind every IPO, bond offering, merger deal or syndicated loan is one or more investment banks. Here are investment banks ranked by year-to-date revenues from recent deals.

	Revenue, in millions	Market share	PERCENTAGE OF TOTAL REVENUE Equity capital markets	Debt capital markets	Mergers & acquisitions	Loans
Deutsche Bank	$360	13.4%	15%	42%	39%	3%
Goldman Sachs	207	7.7	16	11	71	2
Credit Suisse	180	6.7	20	33	46	2
JPMorgan	176	6.5	4	35	59	2
Commerzbank Group	162	6.0	26	44	17	14
Morgan Stanley	140	5.2	38	25	36	...
UBS	116	4.3	16	15	66	2
UniCredit Group	109	4.0	29	46	14	11
RBS	105	3.9	35	47	11	7

Source: Dealogic

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
Corn (cents/bu.)	CBOT	367.50	-2.75	-0.74%	714.00	325.00
Soybeans (cents/bu.)	CBOT	932.00	7.50	0.81%	1,560.00	805.00
Wheat (cents/bu.)	CBOT	484.00	1.75	0.36	1,029.25	459.00
Live cattle (cents/lb.)	CME	91.475	0.675	0.74	95.175	85.050
Cocoa ($/ton)	ICE-US	3,045	7	0.23	3,514	2,066
Coffee (cents/lb.)	ICE-US	131.70	-0.55	-0.42	190.40	118.30
Sugar (cents/lb.)	ICE-US	25.90	-0.30	-1.15	29.00	11.90
Cotton (cents/lb.)	ICE-US	73.76	0.78	1.07	94.00	51.38
Crude palm oil (ringgit/ton)	MDEX	2,563.00	2	0.08	2,743	2,150
Cocoa (pounds/ton)	LIFFE	2,247	9	0.40	2,350	1,310
Robusta coffee ($/ton)	LIFFE	1,293	-7	-0.54	1,710	1,275
Copper (cents/lb.)	COMEX	295.40	-3.30	-1.10	365.00	135.50
Gold ($/troy oz.)	COMEX	1067.50	-9.20	-0.85	1,229.00	785.10
Silver (cents/troy oz.)	COMEX	1533.00	-10.50	-0.68	2,011.50	1,045.00
Aluminum ($/ton)	LME	2,052.00	17.00	0.84	2,356.50	1,288.00
Tin ($/ton)	LME	15,995.00	470.00	3.03	18,250.00	9,945.00
Copper ($/ton)	LME	6,629.00	99.00	1.52	7,695.00	3,171.00
Lead ($/ton)	LME	2,092.50	102.50	5.15	2,615.00	995.00
Zinc ($/ton)	LME	2,157.50	101.50	4.94	2,659.00	1,086.00
Nickel ($/ton)	LME	17,920	520	2.99	21,150	9,475
Crude oil ($/bbl.)	NYMEX	72.96	-0.79	-1.07	-1.07	48.78
Heating oil ($/gal.)	NYMEX	1.9135	-0.0238	-1.23	3.5280	1.3800
RBOB gasoline ($/gal.)	NYMEX	1.9120	-0.0170	-0.88	2.2003	1.2176
Natural gas ($/mmBtu)	NYMEX	5.270	-0.020	-0.38	12.590	4.550
Brent crude ($/bbl.)	ICE-EU	71.67	-1.00	-1.38	83.58	51.55
Gas oil ($/ton)	ICE-EU	584.75	5.25	0.91	688.00	502.25

Source: Thomson Reuters; WSJ Market Data Group

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Currencies

London close on Feb. 10

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.2686	0.1898	3.8463	0.2600
Brazil real	2.5430	0.3932	1.8565	0.5386
Canada dollar	1.4634	0.6833	1.0684	0.9360
1-mo. forward	1.4635	0.6833	1.0684	0.9360
3-mos. forward	1.4636	0.6832	1.0685	0.9359
6-mos. forward	1.4638	0.6831	1.0686	0.9358
Chile peso	732.09	0.001366	534.45	0.001871
Colombia peso	2698.10	0.0003706	1969.70	0.0005077
Ecuador US dollar-f	1.3698	0.7300	1	1
Mexico peso-a	17.8889	0.0559	13.0595	0.0766
Peru sol	3.9176	0.2553	2.8600	0.3497
Uruguay peso-e	26.917	0.0372	19.650	0.0509
U.S. dollar	1.3698	0.7300	1	1
Venezuela bolivar	5.88	0.169987	4.29	0.232848
ASIA-PACIFIC				
Australia dollar	1.5697	0.6371	1.1459	0.8727
China yuan	9.3591	0.1068	6.8325	0.1464
Hong Kong dollar	10.6446	0.0939	7.7709	0.1287
India rupee	63.6820	0.0157	46.4900	0.0215
Indonesia rupiah	12821	0.0000780	9360	0.0001068
Japan yen	123.06	0.008126	89.84	0.011131
1-mo. forward	123.05	0.008127	89.83	0.011132
3-mos. forward	123.01	0.008130	89.80	0.011136
6-mos. forward	122.91	0.008136	89.73	0.011144
Malaysia ringgit-c	4.7005	0.2127	3.4315	0.2914
New Zealand dollar	1.9819	0.5046	1.4469	0.6912
Pakistan rupee	116.365	0.0086	84.950	0.0118
Philippines peso	63.524	0.0157	46.375	0.0216
Singapore dollar	1.9431	0.5146	1.4186	0.7049
South Korea won	1583.90	0.0006314	1156.30	0.0008648
Taiwan dollar	43.921	0.02277	32.064	0.03119
Thailand baht	45.457	0.02200	33.185	0.03013

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.7300	1.3698
1-mo. forward	1.0001	0.9999	0.7301	1.3697
3-mos. forward	1.0002	0.9998	0.7302	1.3695
6-mos. forward	1.0006	0.9994	0.7305	1.3690
Czech Rep. koruna-b	26.099	0.0383	19.053	0.0525
Denmark krone	7.4447	0.1343	5.4349	0.1840
Hungary forint	271.75	0.003680	198.39	0.005041
Norway krone	8.1158	0.1232	5.9248	0.1688
Poland zloty	4.0708	0.2456	2.9719	0.3365
Russia ruble-d	41.452	0.02412	30.261	0.03305
Sweden krona	10.0390	0.0996	7.3288	0.1364
Switzerland franc	1.4655	0.6823	1.0699	0.9347
1-mo. forward	1.4653	0.6825	1.0697	0.9348
3-mos. forward	1.4647	0.6827	1.0693	0.9352
6-mos. forward	1.4636	0.6832	1.0685	0.9359
Turkey lira	2.0775	0.4813	1.5167	0.6593
U.K. pound	0.8785	1.1383	0.6414	1.5592
1-mo. forward	0.8787	1.1380	0.6415	1.5589
3-mos. forward	0.8791	1.1375	0.6418	1.5582
6-mos. forward	0.8796	1.1369	0.6421	1.5573
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5164	1.9365	0.3770	2.6526
Egypt pound-a	7.5168	0.1330	5.4875	0.1822
Israel shekel	5.1388	0.1946	3.7515	0.2666
Jordan dinar	0.9695	1.0315	0.7078	1.4129
Kuwait dinar	0.3950	2.5318	0.2884	3.4680
Lebanon pound	2064.97	0.0004843	1507.50	0.0006634
Saudi Arabia riyal	5.1371	0.1947	3.7503	0.2666
South Africa rand	10.6001	0.0943	7.7385	0.1292
United Arab dirham	5.0311	0.1988	3.6729	0.2723
SDR -f	0.8873	1.1270	0.6478	1.5438

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	PREVIOUS SESSION Net change	PREVIOUS SESSION Percentage change	PERFORMANCE Yr.-to-date	PERFORMANCE 52-wk.
51	**ASIA-PACIFIC**	DJ Asia-Pacific	117.69	0.43	0.37%	-4.4%	36.7%
...	Australia	SPX/ASX 200	4513.42	8.35	0.19	-7.3	29.9
...	China	CBN 600	26536.07	361.73	1.38	-8.7	38.8
18	Hong Kong	Hang Seng	19922.22	131.94	0.67	-8.9	47.1
18	India	Sensex	15922.17	-120.01	-0.75%	-8.8	65.5
...	Indonesia	Jakarta Composite	2483.438	-6.047	-0.24	-2.0	87.5
...	Japan	Nikkei Stock Average	9963.99	31.09	0.31	-5.5	25.4
...		Topix	883.50	1.93	0.22	-2.7	13.5
...	Malaysia	Kuala Lumpur Composite	1246.17	12.31	1.00	-2.1	38.9
...	New Zealand	NZSX-50	3085.507	9.056	0.29	-4.5	13.0
9	Pakistan	KSE 100	9733.36	-53.10	-0.54	3.7	79.3
13	Philippines	Manila Composite	2857.24	59.63	2.13	-6.4	50.6
...	Singapore	Straits Times	2734.39	-10.63	-0.39	-5.6	58.8
11	South Korea	Kospi	1570.12	-0.37	-0.02	-6.7	31.9
20	Taiwan	Weighted	7441.84	80.80	1.10	-9.1	62.6
10	Thailand	SET	688.41	2.52	0.37	-6.3	55.0
58	**EUROPE**	DJ Stoxx 600	240.91	1.72	0.72	-4.8	24.7
23		DJ Stoxx 50	2415.97	18.20	0.76	-6.3	21.6
70	**Euro Zone**	DJ Euro Stoxx	254.67	2.64	1.05%	-7.3%	20.9%
21		DJ Euro Stoxx 50	2700.17	31.74	1.19	-9.0	18.9
21	Denmark	OMX Copenhagen	325.02	-2.32	-0.71%	3.0	36.2
20	Finland	OMX Helsinki	6464.73	-19.22	-0.30	0.1	24.8
18	France	CAC-40	3635.61	22.85	0.63	-7.6	20.1
19	Germany	DAX	5536.37	38.11	0.69	-7.1	22.2
14	Italy	FTSE MIB	21241.63	422.66	2.03	-8.6	17.5
...	Netherlands	AEX	316.10	-0.96	-0.30	-5.7	24.8
...	Russia	RTSI	1387.11	-3.21	-0.23	-2.8	123.5
10	Spain	IBEX 35	10455.0	179.6	1.75	-12.4	25.1
14	Switzerland	SMI	6333.99	19.24	0.30	-3.2	23.6
...	Turkey	ISE National 100	50567.50	-258.86	-0.51	-4.3	99.1
13	U.K.	FTSE 100	5131.99	20.15	0.39	-5.2	21.2
18	**AMERICAS**	DJ Americas	282.36	-0.80	-0.28	-4.8	34.6
...	Brazil	Bovespa	64765.45	47.28	0.07	-5.6	59.1
...	Argentina	Merval	2230.67	-3.07	-0.14	-3.9	99.6
20	Mexico	IPC	30527.27	-291.21	-0.94	-5.0	57.4

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 12:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Thomson Reuters is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones and Dow Jones Stoxx Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	PERFORMANCE Year-to-date	PERFORMANCE 52-wk.	PERFORMANCE Three-yr., annualized
2.25%	20	**DJ Global Index**	213.76	0.28	0.13%	-5.8%	34.6%	-9.0%
1.94	20	**Global DOW**	1857.97	8.43	0.46	-6.4	32.1	-5.5
2.39		**Asia/Pacific 600**	111.51	0.22	0.20	-2.8	28.4	-9.4
1.85	14	**Emerging Markets**	258.61	1.51	0.59	-7.6	68.0	0.1
2.21	51	**Asia/Pacific**	117.69	0.42	0.36	-4.4	36.7	-7.7
2.51	16	**Asia/Pacific ex-Japan**	289.58	1.68	0.58	-8.2	67.1	-3.1
2.70	22	**Southeast Asia**	149.44	1.09	0.73	-7.1	70.8	-1.3
0.89	27	**CBN China 600** -c	26536.07	361.73	1.38	-8.7	38.8	12.4
0.91	30	**Shanghai**	356.71	4.60	1.31	-8.0	38.9	12.3
0.61	44	**Shenzhen**	388.59	5.57	1.46	-6.7	56.3	18.8
2.42	17	**China Offshore 50**	3689.20	40.88	1.12	-9.5	44.8	3.6
7.62	9	**Australia LPT** -c, d	1151.15	13.50	1.19	-1.0	26.5	-23.6

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	PERFORMANCE Year-to-date	PERFORMANCE 52-wk.	PERFORMANCE Three-yr., annualized
2.17%	14	**Islamic Market**	1868.44	-2.70	-0.14%	-5.4%	31.8%	-4.0%
2.47	15	**Islamic Market 100**	2010.39	-5.35	-0.27	-5.2	22.2	-4.4
9.21		**Bahrain**	127.48	0.36	0.28	4.7	-6.6	-11.2
2.78	46	**Kuwait**	202.35	-0.06	-0.03	3.9	10.2	-14.7
2.71	18	**Sustainability**	936.97	3.45	0.37	-7.5	33.5	-10.1
2.53	58	**Stoxx 600 -p**	245.36	0.90	0.37	-9.8	30.0	-12.7
4.09	18	**Stoxx Select Div 30 -p**	1619.20	14.88	0.93	-9.8	25.9	-24.8
3.67	25	**Euro Stoxx Sel Div 30 -p**	1912.25	20.97	1.11	-10.1	33.7	-20.9
1.81	24	**DJ U.S. TSM**	11007.72	-47.73	-0.43	-4.3	30.4	-8.9
4.35	14	**U.S. Select Dividend -d**	627.08	-3.40	-0.54	-3.6	29.3	-11.8
5.18		**U.S. REIT**	133.80	-0.39	-0.29	-7.9	36.3	-22.9
		DJ-UBS Commodity -p	129.33	1.35	1.05	-7.1	17.0	-8.2

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

	US$	A$	£	C$	YUAN	EURO	HK$	RUPEE	RUPIAH	YEN	NZ$	WON	RINGGIT	PH. PESO	S$	S FRANC	TW$	BAHT
U.S.		1.146	0.641	1.068	6.832	0.730	7.771	46.490	9359.79	89.840	1.447	1156.30	3.431	46.375	1.419	1.070	32.064	33.185
Australia	0.873		0.560	0.932	5.962	0.637	6.781	40.570	8167.82	78.399	1.263	1009.04	2.994	40.469	1.238	0.934	27.981	28.959
Britain	1.559	1.787		1.666	10.653	1.138	12.116	72.487	14593.79	140.079	2.256	1802.90	5.350	72.308	2.212	1.668	49.994	51.742
Canada	0.936	1.073	0.600		6.395	0.683	7.274	43.516	8760.98	84.092	1.354	1082.32	3.212	43.408	1.328	1.001	30.013	31.062
China	0.1464	0.168	0.094	0.156		0.107	1.137	6.804	1369.90	13.149	0.212	169.24	0.502	6.787	0.208	0.157	4.693	4.857
Euro	1.370	1.570	0.879	1.463	9.359		10.645	63.682	12821.04	123.063	1.982	1583.90	4.700	63.524	1.943	1.466	43.921	45.457
Hong Kong	0.129	0.147	0.083	0.137	0.879	0.094		5.983	1204.47	11.561	0.186	148.80	0.442	5.968	0.183	0.138	4.126	4.270
India	0.0215	0.0246	0.0138	0.0230	0.1470	0.0157	0.1672		201.33	1.9325	0.0311	24.87	0.0738	0.9975	0.0305	0.0230	0.6897	0.7138
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0008	0.0050		0.0096	0.0002	0.12	0.0004	0.0050	0.0002	0.0001	0.0034	0.0035
Japan	0.011	0.013	0.007	0.012	0.076	0.008	0.086	0.517	104.18		0.016	12.87	0.038	0.516	0.016	0.012	0.357	0.369
New Zealand	0.691	0.792	0.443	0.738	4.722	0.505	5.371	32.132	6469.02	62.093		799.17	2.372	32.052	0.980	0.739	22.161	22.936
South Korea	0.0009	0.0010	0.0006	0.0009	0.0059	0.0006	0.0067	0.0402	8.09	0.0777	0.0013		0.0030	0.0401	0.0012	0.0009	0.0277	0.0287
Malaysia	0.291	0.334	0.187	0.311	1.991	0.213	2.265	13.548	2727.61	26.181	0.422	336.97		13.514	0.413	0.312	9.344	9.671
Philippines	0.022	0.025	0.014	0.023	0.147	0.016	0.168	1.002	201.83	1.937	0.031	24.93	0.074		0.031	0.023	0.691	0.716
Singapore	0.705	0.808	0.452	0.753	4.817	0.515	5.478	32.773	6598.14	63.332	1.020	815.13	2.419	32.692		0.754	22.603	23.394
Switzerland	0.935	1.071	0.599	0.999	6.386	0.682	7.263	43.453	8748.29	83.970	1.352	1080.75	3.207	43.345	1.326		29.969	31.017
Taiwan	0.031	0.036	0.020	0.033	0.213	0.023	0.242	1.450	291.91	2.802	0.045	36.06	0.107	1.446	0.044	0.033		1.035
Thailand	0.030	0.035	0.019	0.032	0.206	0.022	0.234	1.401	282.05	2.707	0.044	34.84	0.103	1.397	0.043	0.032	0.966	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of February. 10, 2010

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.40%	26	**ALL COUNTRY (AC) WORLD***	281.25	-0.88%	**-6.1%**	35.2%
2.50	27	**World (Developed Markets)**	1,101.18	-0.78	**-5.8**	31.3
1.80	116	**World Small Cap**	182.19	-0.90	**-4.2**	47.1
2.60	22	**Kokusai (World ex-Japan)**	1,084.46	-0.90	**-6.5**	33.7
3.00	27	**EAFE**	1,461.46	-0.24	**-7.5**	31.1
2.10	20	**Emerging Markets (EM)**	908.67	-1.61	**-8.2**	71.6
2.60	22	**AC ASIA PACIFIC EX-JAPAN**	380.03	-0.98	**-8.8**	66.5
2.10	22	**AC Far East ex-Japan**	412.43	-1.46	**-8.3**	60.8
1.70	-36	**Japan**	551.20	-0.14	**-3.0**	12.6
2.00	19	**China**	58.20	1.24	**-10.2**	55.5
0.90	37	**China A (China Domestic)**	3,023.91	0.48	**-10.6**	56.8
2.70	22	**Hong Kong**	9,526.99	1.41	**-6.4**	44.6
1.00	20	**India**	652.03	0.60	**-7.8**	79.8
1.10	16	**Korea**	446.82	1.33	**-7.1**	39.6
2.40	19	**Malaysia**	454.59	-0.09	**-3.2**	38.9
3.10	17	**Singapore**	1,532.64	1.84	**-5.7**	55.5
2.60	232	**Taiwan**	266.71	1.67	**-9.9**	67.1
3.00	18	**Thailand**	277.32	-0.47	**-8.1**	55.2
4.00	24	**Australia**	929.36	-0.40	**-7.2**	27.6
5.40	16	**New Zealand**	81.27	-1.06	**-6.8**	1.4
1.90	32	**US BROAD MARKET**	1,188.61	-1.29	**-3.9**	32.1
3.40	17	**EUROPE**	83.05	0.13	**-5.9**	24.1

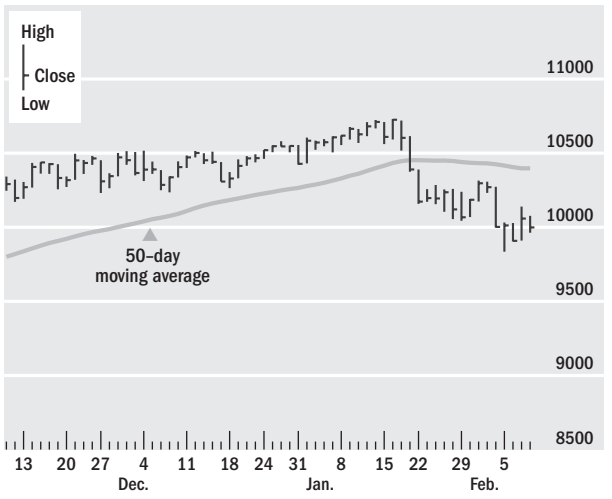
*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

SCANNING THE GLOBE

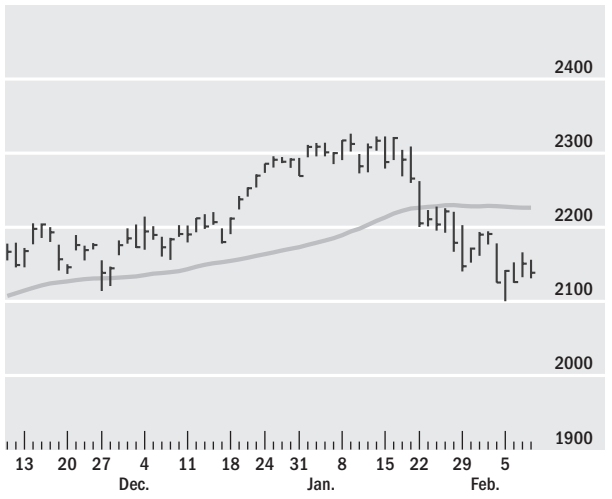
Dow Jones Industrial Average P/E: 16

LAST: **9998.78** ▼ 59.86, or 0.60%
YEAR TO DATE: ▼ **429.27, or 4.1%**
OVER 52 WEEKS ▲ **2,059.25, or 25.9%**



Nasdaq Composite Index P/E: 20*

LAST: **2138.61** ▼ 12.26, or 0.57%
YEAR TO DATE: ▼ **130.54, or 5.8%**
OVER 52 WEEKS ▲ **608.11, or 39.7%**



S&P 500 Index P/E: 27

LAST: **1063.52** ▼ 7.00, or 0.65%
YEAR TO DATE: ▼ **51.58, or 4.6%**
OVER 52 WEEKS ▲ **229.78, or 27.6%**

*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**10.10**	$25.09	-0.17	**-0.68%**
Alcoa	AA	**16.70**	13.09	-0.19	**-1.43**
AmExpress	AXP	**3.20**	37.24	-0.30	**-0.81**
BankAm	BAC	**79.20**	14.56	0.08	**0.59**
Boeing	BA	**1.70**	59.23	-0.51	**-0.85**
Caterpillar	CAT	**4.20**	52.90	-0.63	**-1.18**
Chevron	CVX	**4.70**	70.30	-1.01	**-1.42**
CiscoSys	CSCO	**22.20**	23.73	-0.16	**-0.69**
CocaCola	KO	**3.90**	53.79	-0.22	**-0.41**
Disney	DIS	**10.10**	29.35	-0.49	**-1.64**
DuPont	DD	**2.60**	32.50	0.03	**0.09**
ExxonMobil	XOM	**8.40**	64.52	-0.68	**-1.04**
GenElec	GE	**34.30**	15.76	0.16	**0.99**
HewlettPk	HPQ	**6.90**	47.95	-0.17	**-0.35**
HomeDpt	HD	**6.70**	28.52	-0.35	**-1.21**
Intel	INTC	**26.40**	19.59	-0.06	**-0.33**
IBM	IBM	**2.00**	122.81	-0.40	**-0.32**
JPMorgChas	JPM	**20.10**	38.81	0.42	**1.09**
JohnsJohns	JNJ	**4.90**	62.60	-0.16	**-0.26**
KftFoods	KFT	**8.60**	28.91	0.01	**0.03**
McDonalds	MCD	**2.60**	63.41	-0.16	**-0.25**
Merck	MRK	**7.80**	36.26	-0.21	**-0.58**
Microsoft	MSFT	**23.80**	27.89	-0.12	**-0.43**
Pfizer	PFE	**30.00**	17.66	-0.22	**-1.23**
ProctGamb	PG	**3.70**	61.45	-0.31	**-0.50**
3M	MMM	**0.90**	78.72	0.00	**0.00**
TravelersCos	TRV	**1.70**	49.60	0.03	**0.06**
UnitedTech	UTX	**2.10**	66.45	-0.07	**-0.11**
Verizon	VZ	**5.20**	28.77	0.02	**0.06**
WalMart	WMT	**4.10**	53.38	0.13	**0.24**

U.S. stocks: most active...

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
Citigroup	C	**129.0**	$3.17	–$0.02	**–0.47%**
SPDR S&P 500	SPY	**121.5**	106.70	–0.52	**–0.48**
SprintNextel	S	**105.1**	3.31	–0.34	**–9.32**
BankAm	BAC	**81.0**	14.57	0.10	**0.69**
SPDR FnclSelSct	XLF	**51.8**	13.84	0.04	**0.29**
MicronTch	MU	**48.9**	8.36	–0.72	**–7.93**
PwrShrs QQQ	QQQQ	**44.6**	42.91	–0.20	**–0.46**
iShrMSCIEmrgMkt	EEM	**41.6**	37.78	–0.25	**–0.66**
FordMotor	F	**40.0**	10.97	–0.18	**–1.66**
DrxFinancBear 3x	FAZ	**35.9**	21.14	–0.13	**–0.61**
GenElec	GE	**34.5**	15.77	0.17	**1.09**
SiriusXM	SIRI	**34.4**	0.86	0.00	**–0.26**
Pfizer	PFE	**30.2**	17.67	–0.21	**–1.17**
iShrRu2000	IWM	**27.1**	59.04	–0.45	**–0.76**
Intel	INTC	**26.6**	19.61	–0.04	**–0.21**

Biggest gainers...

OpenTable	OPEN	**980.6**	$29.80	$4.81	**19.25%**
DJSP EntrprWt	DJSPW	**158.7**	3.75	0.53	**16.46**
WinnerMedGp	WWIN	**34.3**	7.09	0.98	**16.04**
Lionbridge	LIOX	**670.1**	3.04	0.40	**15.15**
NtlFnlPtnr	NFP	**699.5**	10.14	1.27	**14.32**

...Biggest losers

DeanFoods	DF	**8,828.5**	$14.84	-$2.80	**-15.87%**
Isis Pharma	ISIS	**9,066.5**	9.37	-1.67	**-15.14**
ACCO Brds	ABD	**1,735.0**	6.10	-1.04	**-14.57**
AmtchSys	ASYS	**463.6**	8.73	-1.45	**-14.24**
GolfsmithIntl	GOLF	**8.4**	2.35	-0.36	**-13.28**

ADRs of Asian companies*

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$11.69	$6.88	**Taiwan Semi**	TSM	**5,775.3**	$9.59	-0.01	**-0.10%**
4.24	1.65	**Utd Microelectronics**	UMC	**3,054.0**	3.61	0.00	**0**
82.74	33.09	**BHP Billiton**	BHP	**2,251.6**	69.07	-2.09	**-2.94**
91.97	56.79	**Toyota Motor**	TM	**1,757.8**	75.92	1.32	**1.77**
8.19	4.18	**Siliconware Prec Ind**	SPIL	**1,097.1**	6.25	0.03	**0.48**
15.95	8.65	**China Unicom**	CHU	**907.7**	10.92	-0.05	**-0.46**
13.30	6.35	**AU Optrncs**	AUO	**824.0**	11.07	-0.16	**-1.42**
6.84	3.71	**Mitsu UFJ Fnl**	MTU	**806.4**	5.02	-0.09	**-1.76**
59.22	40.20	**China Mobile**	CHL	**684.8**	47.81	-1.14	**-2.33**
5.23	1.57	**Adv Semi Engrg**	ASX	**635.2**	4.20	0.02	**0.48**
59.13	22.61	**Infosys Tech**	INFY	**625.9**	52.83	-0.43	**-0.81**
34.27	10.70	**Aluminum Cp of China**	ACH	**382.1**	23.53	-0.41	**-1.71**
9.50	3.96	**Nomura Hldgs**	NMR	**350.8**	7.06	-0.14	**-1.94**
81.00	38.70	**China Life Ins**	LFC	**338.7**	63.89	0.29	**0.46**
18.20	6.85	**Korea Elec Pwr**	KEP	**336.0**	15.99	-0.15	**-0.93**
18.64	12.59	**SK Telecom**	SKM	**295.1**	16.76	-0.24	**-1.41**
37.23	20.72	**Honda Motor**	HMC	**208.0**	33.62	-0.90	**-2.61**
35.59	15.64	**Sony**	SNE	**202.1**	33.58	-0.19	**-0.56**
9.82	5.43	**Telecom Corp of NZ**	NZT	**187.8**	8.04	0.01	**0.12**
171.59	75.59	**CNOOC**	CEO	**183.1**	154.19	1.21	**0.79**
150.50	47.09	**POSCO**	PKX	**173.3**	113.38	-1.19	**-1.04**
21.78	11.30	**KT Corp**	KT	**167.2**	19.93	-0.15	**-0.75**
135.92	63.94	**PetroChina**	PTR	**152.8**	108.36	-0.78	**-0.71**
7.74	2.00	**Alumina**	AWC	**120.1**	5.64	-0.05	**-0.88**
4.68	1.50	**SemiMfgInt**	SMI	**114.0**	4.00	-0.29	**-6.76**
41.87	19.90	**Telekom Indonesia**	TLK	**111.2**	36.97	-0.45	**-1.20**
24.09	17.71	**NTT**	NTT	**102.6**	21.77	-0.31	**-1.40**
94.00	46.45	**China Petro & Chem**	SNP	**92.6**	75.19	-0.30	**-0.40**
25.65	5.11	**Yanzhou Coal Mining**	YZC	**90.1**	19.64	0.06	**0.31**
43.95	21.23	**Canon**	CAJ	**71.8**	39.44	-0.27	**-0.68**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

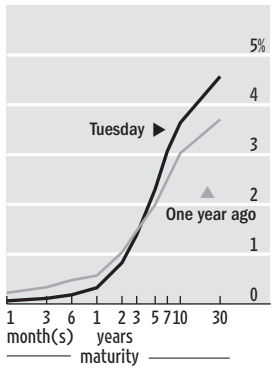
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points: Latest	Previous	Month ago	Year ago	YIELD: Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.517%**	**366.2**	365.8	352.0	**190.2**	**4.445%**	4.505%	**2.803%**
4.500	10	**5.525**	**189.4**	188.4	192.5	**152.0**	**5.467**	5.759	**4.339**
5.000	**Austria** 2	**1.536**	**68.1**	76.3	70.1	**52.1**	**1.550**	1.686	**1.422**
3.900	10	**3.661**	**3.0**	7.2	-0.7	**140.9**	**3.655**	3.827	**4.228**
2.000	**Belgium** 2	**1.304**	**44.9**	58.6	0.0	**52.6**	**1.373**	0.985	**1.427**
3.750	10	**3.708**	**7.7**	12.3	-13.2	**146.6**	**3.706**	3.702	**4.285**
1.500	**Canada** 2	**1.304**	**44.9**	46.7	33.0	**25.6**	**1.254**	1.315	**1.157**
3.750	10	**3.384**	**-24.7**	-21.8	-23.5	**16.6**	**3.365**	3.599	**2.985**
4.000	**Denmark** 2	**1.797**	**94.2**	99.7	108.6	**163.6**	**1.784**	2.071	**2.537**
4.000	10	**3.532**	**-9.9**	-8.6	-18.4	**94.8**	**3.497**	3.650	**3.767**
3.750	**France** 2	**1.168**	**31.3**	37.2	18.5	**66.7**	**1.159**	1.170	**1.568**
3.500	10	**3.519**	**-11.2**	-9.2	-24.5	**95.1**	**3.491**	3.589	**3.770**
1.250	**Germany** 2	**1.040**	**18.5**	23.1	27.5	**53.0**	**1.018**	1.260	**1.431**
3.250	10	**3.183**	**-44.8**	-43.1	-44.8	**53.2**	**3.152**	3.386	**3.351**
0.550	**Hong Kong** 2	**0.668**	**-18.7**	-14.1	-38.4	**-31.3**	**0.646**	0.601	**0.588**
2.160	10	**3.057**	**-57.4**	-55.6	-85.1	**-107.3**	**3.027**	2.983	**1.746**
5.000	**Italy** 2	**1.646**	**79.1**	99.5	48.0	**133.0**	**1.782**	1.465	**2.231**
4.250	10	**4.019**	**38.8**	46.2	24.2	**169.7**	**4.045**	4.076	**4.516**
0.200	**Japan** 2	**0.165**	**-69.0**	-62.2	-81.0	**-44.8**	**0.165**	0.175	**0.453**
1.300	10	**1.334**	**-229.7**	-223.6	-246.5	**-151.4**	**1.347**	1.369	**1.305**
2.500	**Netherlands** 2	**1.086**	**23.1**	31.2	-19.3	**83.9**	**1.099**	0.792	**1.740**
3.500	10	**3.491**	**-14.0**	-9.5	-29.4	**111.4**	**3.488**	3.540	**3.933**
3.200	**Portugal** 2	**1.406**	**55.1**	133.6	24.4	**97.1**	**2.123**	1.229	**1.872**
4.750	10	**4.497**	**86.6**	101.9	17.9	**158.3**	**4.602**	4.013	**4.402**
5.350	**Spain** 2	**1.543**	**68.8**	92.1	45.1	**135.6**	**1.708**	1.436	**2.257**
4.000	10	**3.991**	**36.0**	49.6	14.0	**155.8**	**4.079**	3.974	**4.377**
2.750	**Switzerland** 2	**0.447**	**-40.8**	-33.2	-35.1	**-49.8**	**0.455**	0.634	**0.403**
2.250	10	**1.939**	**-169.2**	-163.9	-170.6	**-64.9**	**1.944**	2.128	**2.170**
3.250	**U.K.** 2	**1.120**	**26.5**	40.9	28.6	**73.9**	**1.196**	1.271	**1.640**
4.500	10	**3.907**	**27.6**	37.0	23.0	**83.6**	**3.953**	4.064	**3.655**
0.875	**U.S.** 2	**0.855**	**...**	...	...	**...**	**0.787**	0.985	**0.901**
3.375	10	**3.631**	**...**	...	...	**...**	**3.583**	3.834	**2.819**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.569%**	16.16	–0.84 %	1.57 %	1.57 %	–10.03 %
10-year Treasury	**3.639**	8.16	–0.14	2.03	2.03	–1.69
7 Year Treasury	**3.072**	6.22	0.17	2.49	2.49	...
Five-year Treasury	**2.307**	4.68	0.28	1.93	1.93	2.97
Ryan Index	**2.633**	6.68	–0.05	1.70	1.70	0.15
3 Year Treasury	**1.385**	2.93	0.16	1.30	1.30	3.58
Two-year Treasury	**0.827**	1.95	0.04	0.81	0.81	2.47
1 Year Treasury	**0.325**	1.00	...	0.20	0.20	1.29
Six-month Treasury	**0.183**	0.50	–0.01	0.03	0.03	0.66
Ryan Cash Index-a	**0.170**	0.46	...	0.06	0.06	0.62
Three-month bill	**0.112**	0.25	...	0.01	0.01	0.38
One-month bill	**0.061**	0.08	...	...	...	0.14

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	3.25%
Canada	**2.25**	3.00
Japan	**1.475**	1.475
Britain	**0.50**	1.00
ECB	**1.00**	2.00
Switzerland	**0.52**	0.53
Australia	**3.75**	3.25
Hong Kong	**5.25**	n.a.
Libor		
One month	**0.22844%**	0.45250%
Three month	**0.25000**	1.23125
Six month	**0.38875**	1.72500
One year	**0.85000**	2.02313

	Latest	52 wks ago
Euro Libor		
One month	**0.38438%**	1.64988%
Three month	**0.59719**	1.97750
Six month	**0.91938**	2.06313
One year	**1.20125**	2.17188
Hibor		
One month	**0.06964**	0.18000%
Three month	**0.13000**	0.78143
Six month	**0.25000**	1.13143
One year	**0.55000**	1.57143
Asian dollars		
One month	**0.2396%**	0.46%
Three month	**0.2566**	1.2300
Six month	**0.3910**	1.7400
One year	**0.8500**	2.0310

	Offer	Bid
Eurodollars		
One month	**0.3000%**	0.2000%
Three month	**0.3300**	0.2300
Six month	**0.5500**	0.3500
One year	**0.8500**	0.5000

	Latest	52 wks ago
U.S. discount	**0.50%**	0.50%
Fed-funds target	**0.25**	0.25
Call money	**2.00**	2.00
Overnight repurchase rates		
U.S.	**0.18%**	0.28%
U.K. (BBA)	**0.517**	0.833
Euro zone	**0.30**	1.23

Sources: WSJ Market Data Group; Reuters

MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Wednesday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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Asian index movers...

Nikkei Stock Average
Japan 9963.99
▲ **0.31% or 31.09**

Machinery makers were higher after data showed machinery orders increased more than expected in December. Komatsu climbed 3.2%.

Stock	Volume in millions	Close	Change Net	Change %
Toshiba	**108.52**	420	1	0.24
Mtshbsh Fin Grp	**62.84**	453	–3	–0.66
Mizuho Financial	**58.23**	173	–2	–1.14
Hitachi	**42.26**	306	–1	–0.33
Nissan Motor	**39.18**	743	12	1.64

CBN 600
China 26536.07
▲ **1.38% or 361.73**

China's central bank eased concerns about inflation, and strong January export data bolstered hopes trade will continue to recover this year. China Merchants Bank rose.

Stock	Volume in millions	Close	Change Net	Change %
HainanExpressway	**95.28**	9.41	–0.24	–2.49
ShandongExprway	**80.62**	5.83	–0.07	–1.19
HaitongSecs	**80.16**	17.54	0.51	2.99
China State Con	**74.05**	4.24	0.04	0.95
United Network	**69.70**	6.48	0.09	1.41

Sensex
India 15922.17
▼ **0.75% or 120.01**

Debt concerns in European countries continued to weigh on shares, with banks and Reliance Industries pacing the losses. State Bank of India slipped 2.1%.

Stock	Volume in millions	Close	Change Net	Change %
Dlf-A	**3.42**	301.75	–5.00	–1.63
Jaiprak Asso-A	**3.35**	128.20	0.65	0.51
Hindalco-A	**3.10**	136.50	2.30	1.71
Tata Steel-A	**2.30**	522.55	–10.90	–2.04
Bharti Airtel-A	**0.80**	315.30	1.50	0.48

Hang Seng
Hong Kong 19922.22
▲ **0.67% or 131.94**

HSBC and Cnooc led the gains. The bank rose 1% on easing concerns over the European debt issue. The offshore oil producer advanced 2.9% on bargain hunting.

Stock	Volume in millions	Close	Change Net	Change %
Icbc	**362.08**	5.53	0.01	0.18
Bank Of China	**248.70**	3.74	0.05	1.36
CCB	**233.75**	5.91	0.04	0.68
CNOOC	**121.00**	12.14	0.34	2.88
PetroChina	**101.50**	8.51	0.06	0.71

Asian stocks in the news

Kajima
Japan ¥201
▲ **4.7% or ¥9**

The construction and civil engineering firm returned to profitability in the nine months to December.

		Daily	1 wk.	52 wks
Price-to-earnings ratio	**14**			
Earnings per share, past four quarters	**14.20**			
Dividend yield	**3.0**			
PERCENTAGE CHANGE				
Constructn & Matl		**1.1%**	-2.2%	41.8%
Kajima		**4.7%**	5.8%	-10.3%

Japan Tobacco
Japan ¥328,000
▲ **5.6% or ¥17,500**

Investors snapped up shares after the price fell 8.3% over the past four sessions.

		Daily	1 wk.	52 wks
Price-to-earnings ratio	**27**			
Earnings per share, past four quarters	**12200.00**			
Dividend yield	**1.7**			
PERCENTAGE CHANGE				
Personal & Hshld Gds		**0.9%**	-3.0%	33.0%
Japan Tobacco		**5.6%**	-3.1%	36.7%

China Zhongwang Holdings Ltd.
Hong Kong HK$6.52
▲ **11.1% or HK$0.65**

Shares rebounded from the previous session's 27% fall, gaining support from Qinghai Guoxin purchase.

		Daily	1 wk.	52 wks
Price-to-earnings ratio	**12**			
Earnings per share, past four quarters	**0.54**			
Dividend yield	**none**			
PERCENTAGE CHANGE				
Basic Resources		**0.8%**	-5.0%	56.8%
China Zhongwang Holdings Ltd.		**11.1%**	...	...

Karoon Gas
Australia A$6.39
▲ **12.1% or A$0.69**

Investors punted on a make-or-break result of the company's next well in its offshore exploration.

		Daily	1 wk.	52 wks
Price-to-earnings ratio	**212**			
Earnings per share, past four quarters	**0.03**			
Dividend yield	**none**			
PERCENTAGE CHANGE				
Oil & Gas		**0.5%**	-4.2%	42.6%
Karoon Gas		**12.1%**	-97.1%	84.1%

Geely Automobile Hldgs
Hong Kong HK$3.53
▲ **14.2% or HK$0.44**

The carmaker said sales in January more than doubled to a record 43,877 units from a year earlier.

		Daily	1 wk.	52 wks
Price-to-earnings ratio	**16**			
Earnings per share, past four quarters	**0.22**			
Dividend yield	**0.5**			
PERCENTAGE CHANGE				
Automobiles & Parts		**-0.1%**	-1.8%	41.8%
Geely Automobile Hldgs		**14.2%**	-3.3%	443.1%

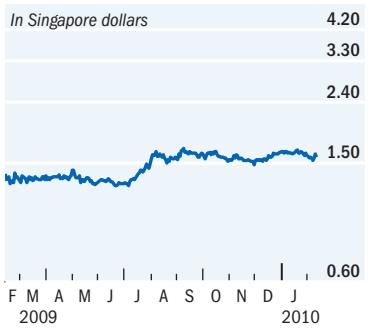
National Australia Bk
Australia A$24.54
▼ **2.3% or A$0.58**

Shares fell after the competition regulator expressed concern about its bid for AXA APH.

		Daily	1 wk.	52 wks
Price-to-earnings ratio	**9**			
Earnings per share, past four quarters	**2.63**			
Dividend yield	**3.0**			
PERCENTAGE CHANGE				
Banks		**-0.3%**	-3.7%	33.4%
National Australia Bk		**-2.3%**	-5.3%	31.2%

ComfortDelGro
Singapore S$1.57
▼ **2.5% or S$0.04**

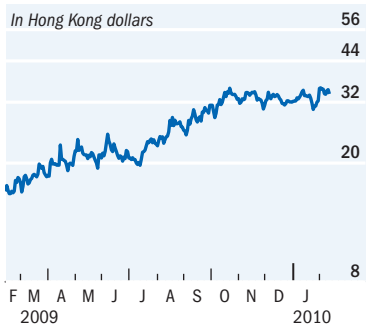
Full-year revenue fell 2.2% due to a negative foreign-currency translation.



		Daily	1 wk.	52 wks
Price-to-earnings ratio	**16**			
Earnings per share, past four quarters	**0.10**			
Dividend yield	**3.2**			
PERCENTAGE CHANGE				
Travel & Leisure		**-0.2%**	-2.0%	17.3%
ComfortDelGro		**-2.5%**	...	13.8%

Li & Fung
Hong Kong HK$34.10
▼ **3.3% or HK$1.15**

Shares fell following an unexpected decline in China's trade surplus.



		Daily	1 wk.	52 wks
Price-to-earnings ratio	**48**			
Earnings per share, past four quarters	**0.72**			
Dividend yield	**1.7**			
PERCENTAGE CHANGE				
Personal & Hshld Gds		**0.9%**	-3.0%	33.0%
Li & Fung		**-3.3%**	-3.7%	112.1%

Koito Mnfrg
Japan ¥1,168
▼ **8.1% or ¥103**

Shares continued their slide after the airplane-seat maker admitted fraud.

		Daily	1 wk.	52 wks
Price-to-earnings ratio	**30**			
Earnings per share, past four quarters	**38.60**			
Dividend yield	**1.4**			
PERCENTAGE CHANGE				
Automobiles & Parts		**-0.1%**	-1.8%	41.8%
Koito Mnfrg		**-8.1%**	-23.2%	113.1%

Comsys Hldgs
Japan ¥833
▼ **8.5% or ¥77**

The company reported nine-month net profit fell 47% from the year-earlier period.

		Daily	1 wk.	52 wks
Price-to-earnings ratio	**12**			
Earnings per share, past four quarters	**71.90**			
Dividend yield	**2.4**			
PERCENTAGE CHANGE				
Constructn & Matl		**1.1%**	-2.2%	41.8%
Comsys Hldgs		**-8.5%**	-8.8%	18.2%

HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY WSJ.com/Heard

Japan's economy struggles to get lift

Japan's policy makers are trying to get the nation's economy off the ground. The problem: only one of the plane's engines is working.

The export sector is recovering nicely, with companies including **Sharp** and **Nissan Motor** reporting rebounding profits. A survey of 300 companies by Daiwa Capital Markets has manufacturers, on average, forecasting a nearly 60% jump in operating profit in the year ending in March—thanks to recovering demand in Asia, mainly from China.

This is critical to expectations that Japan will report next week that its economy expanded for the third consecutive quarter. Gross domestic product is forecast to rise at an annualized, price-adjusted rate of 4.2%.

Then there is the other part. Retailers and other domestically oriented businesses are suffering as prices continue to decline and shoppers economize. The nonmanufacturers in Daiwa's survey forecast a nearly 20% drop in operating profit this fiscal year.

Bloomberg News

Employees inspect computer servers at the Fujitsu Isotec plant in Japan.

Data out Wednesday underscored the split.

Machinery orders for export jumped in the fourth quarter, while those for the mainly domestic, nonmanufacturing sectors, such as transportation and telecommunications, continued to decline.

The problem for policy makers is that the success of Japan Part I is coming at the expense of Japan Part II.

The manufacturing sector's profitability is a product of huge cost reductions—more than $12 billion this year at **Toyota Motor** and nearly $10 billion at **Toshiba**, for example—that have reduced jobs, wages and the business prospects of suppliers.

A reversal of these cuts isn't forthcoming. Among them, the 68 manufacturers Daiwa surveyed, some of Japan's biggest companies, expect to report a net profit of only $1.2 billion this year.

South Korea's **Samsung Electronics,** which raised wages 10% to 15% in November, alone earned more than double that just in the fourth quarter.

The split has exposed a lack of originality in Tokyo's new leadership, which has responded with yet another stimulus package aimed at, for example, encouraging consumers to buy energy-efficient goods. That short-term support is helping, but a longer-term strategy on revitalizing the domestic economy is painfully absent.

That leaves decision makers in a quandary. True, one engine is better than none, the situation Japan found itself in a year ago. Still, the risk in this is plain to see.

—James Simms

It's Baidu's fight to lose in world of China search

With earnings up strongly year to year and its main competitor in China in limbo, life seems pretty good for Internet company **Baidu**.

If only things were that simple in China's competitive Internet market, where being out in front today only means that Baidu has more to lose than most.

Google, Baidu's closest rival in the Chinese search-engine market, may not have much more of a future in China. That could well leave Baidu, already with a roughly 60% market share, even more comfortably ahead of the rest of the competition. It is certainly turning its leading position to advantage now. Last year's earnings were a 42% improvement over 2008, it said Wednesday, while its fourth-quarter performance beat expectations.

But Baidu also has had some setbacks of its own. One market in which it is struggling is e-commerce. Youa, its consumer-to-consumer site, has gained little traction in an area now dominated by Taobao, a part of the **Alibaba** empire, which has cornered more than 80% of the market.

This could prove more of an Achilles heel for Baidu in the years to come. Credit Suisse expects China's e-commerce market to expand rapidly, with a compound annual growth rate of 54% out to 2012 from 2009. As the market grows, there is the potential for companies to spend more of their advertising budgets on sites like Taobao, which get traffic from consumers flashing their cash, compared to more general search engines such as Baidu.

Having failed with Youa, Baidu has turned to Japanese company **Rakuten** for help. The two companies will together invest $50 million over the next three years on a site putting consumers in direct touch with businesses.

It is important for Baidu that this venture succeeds. Currently, Taobao blocks searches generated from Baidu, leaving the latter with little choice but to build up its own e-commerce business. Yet for all the joint venture's importance to Baidu, Rakuten—with a 51% share—will seemingly hold the whip hand over its operation.

None of this is to suggest disaster looms for Baidu. Its strong brand recognition in China and high market share mean its near-term future is bright. For sure, search-engine rivals like **Sina**, **Sohu** and **Tencent** will rise up, but they will take some time to eat into Baidu's market share.

Baidu is in the clear for now, but this is no time for it to bask in its success.

—Andrew Peaple

BHP Billiton sticks to guns on cash hoard

There's just no pleasing some people.

BHP Billiton may have brushed off the recession, but investors are now grumbling at the mining giant's reluctance to indulge them with fatter dividends and a big share buyback. But BHP boss Marius Kloppers is right to stand his ground. With the economic recovery far from assured, it makes sense to maintain a cash cushion to protect long-term capital spending and to be able to pounce on acquisition opportunities.

Despite the recession, BHP reported underlying earnings down just 6% in the six months to June 30. As a result, net debt is now equivalent to a little more than a third of annualized earnings before interest, taxes, depreciation and amortization, a fraction of its nearest rivals. Yet Mr. Kloppers raised the interim dividend by just two cents to 42 cents.

That doesn't mean Mr. Kloppers is failing to put BHP's cash flow to work. The miner is planning investments of $22 billion by mid-2011, having spent $15 billion in the past 18 months despite the recession.

Capital expenditure on this scale looks savvy. BHP's model of maintaining a portfolio of low-cost, long-life commodities businesses tailored to Asian demand explains why it has beaten the economic cycle, unlike Anglo American, Rio Tinto, and Xstrata.

Besides, BHP rightly fears that a recovery based only on Chinese growth and Western stimulus policies is likely to be unsustainable. A bumpy recovery may yet force rivals to spit out more top-tier assets, as Rio did to form the Pilbara joint venture. And if BHP's outlook is too gloomy, it can increase dividends and resume buybacks any time.

—Matthew Curtin

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